



ALFRED DUMA LOCAL MUNICIPALITY

PETTY CASH MANAGEMENT POLICY

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1. **INTRODUCTION**

Petty cash is a small amount of discretionary funds in the form of cash used for expenditure where it is impractical to follow the official procurement process due to the nature of the goods and/or services required.

2. **OBJECTIVES OF POLICY**

The objectives of the policy are to:

- 2.1 Ensure goods and services are procured by the municipality in accordance with authorized processes only.
- 2.2 Ensure that the municipality has and maintains an effective petty cash system of expenditure control.
- 2.3 Ensure that sufficient petty cash is available when required.
- 2.4 Ensure that the items required to be procured are approved petty cash items.

3. **LEGISLATIVE FRAMEWORK**

The legislative framework governing petty cash are:

- 3.1 The Local Government Municipal Finance Management Act, Act 56 of 2003.
- 3.2 The Municipal Supply Chain Management Regulations, Regulation 868, published under Government Gazette 27636, 30 May 2005.
- 3.3 The municipal supply chain management policy.

4. **PETTY CASH PURCHASES**

- 4.1 The executive director financial services must delegate personnel from the expenditure section in the treasury office and the supply chain management unit to keep petty cash registers and make petty cash payments up to the maximum amount as allowed per transaction.
- 4.2 Petty cash is restricted to cash purchases up to a transaction value of R2 000.00 VAT included.

- 4.3 Petty cash purchases may not deliberately be broken up over two (2) or more transaction claims or be split over more than one (1) day for the same items in order to fall within the determined threshold of R2 000.00 VAT included.
- 4.4 Departments may only spend up to a maximum of R 10 000.00 per month utilizing petty cash.
- 4.5 To limit the risk of cash handling and misuse of petty cash, purchases to a maximum amount of R1 500,00 will be paid by EFT subject to the following conditions:
- (a) Such payments will only be for reimbursement expenditure incurred by officials with his/her own funds.
 - (b) No claims will be accepted if payment is to be paid directly to a supplier.
 - (c) Proof of payment of such expenditures must be provided with each claim.
 - (d) Claims will only be dealt with at the Budget and Treasury Office – Expenditure Section and not at the Supply Chain Management Unit.
 - (e) Claims must be submitted to the accountant expenditure.

5. **APPROVED LIST OF PETTY CASH PURCHASES**

5.1 Approved items for petty cash purchases, but not limited:

- (a) Bouquets and flowers utilized for official purposes;
- (b) Tollgate fees for municipal vehicles within the Alfred Duma Local Municipal area. Only the Mayoral Office is authorized to use petty cash for fuel and tollgate fees outside of the Municipal area in certain circumstances which must be motivated and approved by the Chief Financial Officer.
- (c) Refreshments and catering / entertainment;
- (d) Purchases of an urgent nature where it is impractical to follow the official procurement process; and/or
- (e) Materials for urgent repair work not kept or not available at the municipal stores;
- (f) Ad hoc stationery items;

- (g) Refreshments and catering;
- (h) Materials of special nature only available at specific suppliers;
- (i) Purchases of an urgent nature where it is impractical to follow the official procurement process.

5.2 Departments may not utilize the petty cash for the following items:

- (a) Approved store items which are kept at the municipal stores;
- (b) Any items which can be classified as assets (inventory items), for example, calculators, memory sticks (USB); tools etc.;
- (c) Subsistence and travel claims;
- (d) Safety equipment and clothing such as clothes, ear protectors, safety glasses, etc.;
- (e) Wages or labour for contract work which may or may not include material;
- (f) Books, magazines and newspapers, except for the Libraries
- (g) Any fuel purchases, except as per 5.1 (b) above;
- (h) Parts/materials for vehicle repairs, is only allowed by the Fleet Section, except for tyre punctures for municipal vehicles which is allowed for all departments when necessary, utilizing a register service provider on the municipal database; and
- (i) Parking expenses

5.3 Petty cash specified in 5.1(i) above must be approved by the Chief Financial Officer or delegated senior official prior to the transaction.

6. **SAFEGUARDING**

- 6.1 Petty cash is to be safeguarded in lockable cash boxes by all departments and should be locked away when not in use during normal business hours and after hours.
- 6.2 The keys of the petty cash box must be safeguarded by the delegated petty cash official.

7. TRANSFER OF PETTY CASH AND KEYS

- 7.1 When petty cash is transferred to another delegated official, the petty cash must first be reconciled and be verified by both officials before it is officially handed over. The new official must sign for the petty cash as well as for the keys to the petty cash.
- 7.2 The spare keys of the petty cash box must be kept with the respective Executive Director for the department.

8. OTHER

- 8.1 The maximum amount of petty cash allocated per Department and Section will be determined from time to time by the Municipal Manager and Chief Financial Officer, based on the operational requirements of the municipality and the risk of safeguarding petty cash.
- 8.2 When the amount petty cash is increased, the accountant expenditure must draw a cheque for the relevant Department and Section.
- 8.3 The responsible official must sign for the acceptance of the increased cash amount together with the accountant expenditure.

9. PETTY CASH REPLENISHMENT

- 9.1 Petty cash replenishments will be done once the claims have been submitted to the Department Budget and Treasury with the necessary documents.
- 9.2 A proper petty cash register must be kept where each disbursement of petty cash transactions are recorded.
- 9.3 The minimum detail to be recorded in the petty cash register is:
 - (a) department name;
 - (b) cost centre (vote) to allocate petty cash transaction;
 - (c) name of supplier;
 - (d) date;
 - (e) amount issued; and
 - (f) name of person

- 9.4 The petty cash register with all signed petty cash vouchers, receipts or slips must be attached to the request for payment. Only delegated signatories may sign the petty cash vouchers as determined in the Delegations Register.
- 9.5 The Department Budget and Treasury will verify the submitted information and process the cheque for replenishment within seven (7) working days. The cheque is only to be made out to "Alfred Duma Local Municipality" and must be signed for by the relevant department and may only be cashed at the Cashiers in the Rates Hall of the Municipality.

10. **DISBURSEMENT OF PETTY CASH**

- 10.1 All petty cash disbursements must be completed on the prescribed petty cash voucher, authorized by the delegated official of each department as approved by council in terms of the delegation of authorities.
- 10.2 The authorized official must ensure that funds are available in the budget prior to the submission of claims.
- 10.3 An invoice or an original receipt, clearly indicating it has been paid must support the petty cash voucher.
- 10.4 The authorized official or delegated person must sign for the acceptance of the petty cash monies and ensure that the monies are correct.
- 10.5 In the case where a petty cash advance was granted, the recipient of the advance must bring the invoice and/or original receipt within two (2) working days from receipt of the advance to the petty cash official from when he/she received the cash advance.
- 10.6 Where proof of expenditure could not be provided on petty cash advances within the prescribed period, the advance may be deducted from the respective employee's salary.

11. **SHORTAGES AND LOSSES**

- 11.1 The holder of the petty cash will be held accountable for losses and shortages unless there is physical evidence of a break-in and no act or omission on the part of the relevant official contributed to the loss.
- 11.2 In the event of identified shortages and/or losses it must be reported immediately to the relevant Head of Department and to the Department Budget and Treasury and be paid in by the holder of the petty cash.

12. **INTERNAL CONTROLS**

12.1 Petty cash funds and vouchers must reconcile at all times to the amount of petty cash held by each custodian.

12.2 Surprise petty cash audits must be done by the Internal Audit Section throughout the financial year.

12.3 Petty cash reconciliations with the general ledger must be reconciled before 30 June of each year.

12.4 The petty cash reconciliations must be verified by the Manager Financial Statements for audit purposes.

13. **REPORTING**

A monthly reconciliation report, including the total amount of petty cash purchases for that month, must be prepared by the petty cash holder and kept on file for audit purposes.

14. **GENERAL EXCLUSIONS**

No official may receive any form of reward by utilizing petty cash, in the form of club points, etc. when purchasing from such participating service providers.

15. **REVIEW**

This policy will be reviewed annually to be in line with municipal practices and legislation.



PROPERTY RATES POLICY

2019/2020

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1. Abbreviations

Constitution	The Constitution of the Republic of South Africa 180 of 1996
Council	Alfred Duma Local Council
ITB	Ingonyama Trust Board
ITB land	Land administered by the Ingonyama Trust Board
MFMA	Local Government: Municipal Finance Management Act 56 of 2003
MPRA	Local Government: Municipal Property Rates Act 6 of 2004
Multiple use properties	Properties used for multiple purposes as considered in s9(b) of MPRA
Municipality	The Alfred Duma Local Municipality
PBOs	Public Benefit Organisations
PSP	Public service purposes
Structures Act	Municipal Structures Act 117 of 1998
Systems Act	Municipal Systems Act 32 of 2000

2. Definitions

Any wording in this policy, if included in the definitions as listed in the Local Government Municipal Property Act, Act 6 of 2004, as amended will carry the same meaning unless stated otherwise hereunder:-

Business/Commercial, including Farms utilised for the purpose of Commercial and Business in relation to a property, means the use of a property for the activity of buying, selling or trading in commodities or services on an erf and includes any office, **Industry, Warehousing** or other accommodation on the same erf, the use of which is incidental to such activity, inclusive of a hotel or motel or Bed & Breakfast/guesthouse and eco-tourism but does not include the business of agriculture, farming, or any other business consisting of the cultivation of soils, the gathering in of crops, the rearing of livestock or the propagation and harvesting of fish or other aquatic organisms, including businesses outside the old boundary of the previous Emnambithi/Ladysmith Municipality (Ladysmith, Ezakheni, Ezakheni Industrial Estate, Steadville, Colenso, Nkanyezi, Indaka and Van Reenen) and within the Alfred Duma Local Municipal demarcation.

Child means a person under the age of 18 years, who is also unemployed.

Child-headed household is a household where a child (blood relative of property owner) is responsible for the care of his / her siblings or incapacitated parents.

Developer means a Township Developer, who is the owner of a property for which subdivisions have been approved for transfer in terms of Act 6 of 2008, or other legislation.

Disabled means a person who qualifies to receive relief under the Social Services Act 59 of 1992, or who has been certified as disabled by a medical practitioner.

Agricultural includes a Smallholding for the purpose of Agricultural in relation to property means the use of a property for farming activities without derogating from section 9 but excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game and includes the business of agriculture, farming or any other business consisting of the cultivating of soils, the gathering in of crops, the rearing of livestock or the propagation and harvesting of fish or other aquatic organisms, and/or land within a Game Reserve, reserved for future eco-tourism as defined in this policy.

Farm Commercial in relation to a property, means the use of a property for the activity of buying, selling or trading in commodities or services on an erf and includes any office or other accommodation on the same erf, the use of which is incidental to such activity, inclusive of a hotel or motel or Bed & Breakfast/guesthouse and eco-tourism but does not include the business of agriculture, farming, or any other business consisting of the cultivation of soils, the gathering in of crops, the rearing of livestock or the propagation and harvesting of fish or other aquatic organisms, including businesses outside the old boundary of the previous Emnambithi/Ladysmith Municipality (Ladysmith, Ezakheni, Ezakheni Industrial Estate, Steadville, Colenso, Nkanyezi, Indaka and Van Reenen) and within the Alfred Duma Local Municipal demarcation.

Farm Residential means a property having a suite of rooms, which forms a living unit that is used for human habitation purposes or a multiple number of such units, excluding a hotel or motel, Bed and Breakfast, lodges, including farm properties and/or small holdings used exclusively for this purpose. This property must be included in the valuation roll in terms of the MPRA Section 48 (2)(b), in respect of which the primary use or permitted use is for residential purposes without derogating from Section 9 (Amended by s1 of Act 29 of 2014).

Industrial, in relation to a property, means the use of a property for a branch of trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts, including any office or other accommodation on the erf, the use of which is incidental to the use of the factory.

Market value of a property is the amount the property would have realised if sold on the date of valuation on the open market by a willing seller to a willing buyer. (See section 46 of MPRA).

Medically boarded is a person who, due to medical reasons, has retired prematurely.

Mining Property means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

Municipal domestic means municipal property used by the Municipality for its own purpose in order to serve the public including vacant land.

Owner,

- a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
- b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1984;
- bB) in relation to a share block company, the share block company as defined in the Share Block Control Act, 1980 (Act No.59 of 1980);
- bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit; and
- c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property” means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicity controlled”,

provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:

- i) A trustee, in the case of a property in a trust excluding state trust land;
- ii) an executor or administrator, in the case of a property in a deceased estate;
- iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
- v) a curator, in the case of a property in the estate of a person under curatorship;
- vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or

- viiA) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right;
- viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

PBO means an organisation using a property, in the ownership of such organisation, for any specific public benefit activity listed in Part 1 of the Ninth schedule to the Income Tax Act includes a private school which is registered with the relevant authorities as a public benefit organisation, with a Tax Clearance Certificate from SARS. (including place of public worship as defined in the MPRA 6 of 2014)

Pensioner means a person who is registered for and in receipt of a social pension; or a person 60 years of age or older.

Place of public worship in relation to property, including vacant land, means a property registered in the name of a religious community, and used primarily as a place of worship by that religious community, including an official residence occupied by an office-bearer of that community, who officiates at services and gatherings at that place of worship.

Property means,

- a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- d) public service infrastructure.

Rateable Property, means property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17;

Residential property, means a property having a suite of rooms, which forms a living unit that is used for human habitation purposes or a multiple number of such units including **Farm Residential Properties, Smallholding Residential Properties** and land on which no immovable improvements have been erected which is situated outside the old boundaries of the previous Emnambithi/Ladysmith Municipality (Ladysmith, Ezakheni, Ezakheni Industrial Estate, Steadville, Colenso, Nkanyezi, Indaka and Van Reenen) and within the Alfred Duma Local Municipal demarcation and/or small holdings used exclusively for this purpose. This property must be included in the valuation roll in terms of the MPRA Section 48 (2)(b), in respect of which the primary use or permitted use is for residential purposes without derogating from Section 9 (Amended by s1 of Act 29 of 2014).

Rural communal, in relation to property, means:

- (a) property having a suite of rooms which forms a living unit that is used for human habitation purposes or a multiple number of such units, and land on which no immovable improvements have been erected which is situated outside the old boundaries of the previous Emnambithi/Ladysmith Municipality (Ladysmith, Ezakheni, Ezakheni Industrial Estate, Steadville, Colenso, Nkanyezi, Indaka and Van Reenen) and within the Alfred Duma Local Municipal demarcation and excludes a Hotel, Bed and Breakfast and lodge or Motel or a property

categorized as Business or State and excluding farm properties and/or small holdings as defined in residential.

(b) includes-

- (i) any land or real right in land held over land owned by Ingonyama Trust Board contemplated in section 4A(4) of the Ingonyama Trust Act, 1994;
- (ii) any land owned by ITB that is subject to an agreement of lease registered with the Registrar of Deeds; and
- (iii) any land that is subject to an agreement of lease for a period in excess of 10 years, which is registered with the Ingonyama Trust Board.

Small Holding (Agricultural) in relation to property means the use of a property for farming activities without derogating from section 9 but excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game and includes the business of agriculture, farming or any other business consisting of the cultivating of soils, the gathering in of crops, the rearing of livestock or the propagation and harvesting of fish or other aquatic organisms, and/or land within a Game Reserve, reserved for future eco-tourism as defined in this policy.

Small Holding (Residential) means a property having a suite of rooms, which forms a living unit that is used for human habitation purposes or a multiple number of such units, excluding a hotel or motel, Bed and Breakfast, lodges, including farm properties and/or small holdings used exclusively for this purpose. This property must be included in the valuation roll in terms of the MPRA Section 48 (2)(b), in respect of which the primary use or permitted use is for residential purposes without derogating from Section 9 (Amended by s1 of Act 29 of 2014).

Urban area in relation to property means properties are situated within the boundaries of the previous E, and Alfred Duma Local Municipality. Please see www.demarcation.org.za for maps.

Vacant land means property on which no immovable improvements have been constructed, or any immovable improvements which are not yet occupied since commencement of construction, which includes **land inside the boundaries of the Alfred Duma Local Municipality.**

3. Introduction

The Municipality is empowered to levy rates on properties within its jurisdiction, and is obligated to adopt and implement a policy on such levying of rates on rateable property. This policy is aimed at enhancing certainty, uniformity, and simplicity within the Municipal community. Cognisance will be taken of the burden of rates on the poor, as well as on respective property owners.

The market value of rateable properties within the Municipality's jurisdiction shall be recorded in the valuation roll, or supplementary valuation roll/s. As part of the annual budgeting process, the Municipality shall impose a rate in the Rand on such market value. Rateable property includes any rights registered against a property, but excluding a mortgage bond. Some properties are exempt from being rateable.

This policy shall be reviewed and amended as necessary annually. The by-laws give effect to such rates policy.

4. Objectives

- 4.1 Prioritising service delivery and developmentally promoting the economic and financial viability of the Municipality;
- 4.2 Providing local government with a sufficient and buoyant source of revenue in order to fulfil its developmental responsibilities; and
- 4.3 Exercising municipal power to levy rates within a statutory framework.

Further, this Municipality is committed to:

- 4.4 Charging rates on all rateable property; while
- 4.5 Treating owners in the same category equitably;
- 4.6 Levying differing rates for differing properties, as appropriate;
- 4.7 Exempting certain owners / properties from being subject to payment of rates, in order to be equitable; or
- 4.8 Granting rebates to certain categories of owners / on certain categories of properties;
- 4.9 Taking into account the effect of rates on public service infrastructure; and
- 4.10 Justifiably granting exemptions, rebates, and/or reductions only in terms of section 15 of the MPRA; and
- 4.11 Not granting such relief to owners on an individual basis.

5. Resolution Rates Levy Promulgated

A rate is levied in terms of a resolution which is passed by the Council, with a supporting vote of a majority of its members. This is then displayed for 30 (thirty) days at the Municipal offices, libraries, the official Municipal website, as well as in a notice published in the media. The resolution is promulgated by being published in the Provincial Gazette.

6. Rates and Categories

Categorisation of properties is determined by the Municipal Valuer, based on the use, or multiple dominant uses in some instances (see 6.1 below) of the property. A change in use of the property will result in a change of category. Rates will be levied based on the value of the property appearing in the Valuation and Supplementary Valuation Rolls.

6.1 Categories of properties (that are used for the following purposes)

- Residential^{1 2}
- Industrial
- Business and Commercial (includes Bed and Breakfast, and the like)
- **Mining Properties**
- Agriculture
- Public service infrastructure
- Public service purposes (State)
- Vacant land
- **Farms Agriculture**
- **Farms Commercial**
- **Farms Residential**
- **Municipal Properties**
- Public Benefit Organisation (including places of public worship)
- **Religious (Place of Public Worship)**
- **Rural Communal**
- **Smallholdings: Agriculture**
- **Smallholdings: Residential**

6.2 Categories of Owners for Calculating Rebates, Reductions or Exemptions

- Application Indigent
- Pensioners
- ITB
- PBOs
- NPO

6.3 Categories of owners for determining and granting of Exemptions, reductions and rebates:

- Municipal Properties
- Land Reform Beneficiaries
- Public open space
- Rural communal **Settlements**
- **PSI**

6.3.1 A municipality may in terms of criteria set out in its rates policy-

- (a) Exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate levied on their property; or
- (b) Grant to s specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.

6.3.2 When granting in terms of subsection (6.3.1) exemptions, rebates or reductions in respect of owners of categories of properties, a municipality may determine such categories in accordance with section 8(2) and subsection (2A), and when granting exemptions, rebates or reductions in respect of categories of owners of properties, such categories may include-

- (a) indigent owners;

- (b) owners dependent on pensions or social grants for their livelihood;
- (c) owners temporarily without income;
- (d) owners of property situated within an area affected by –

- i) a disaster within the meaning of the Disaster Management Act, 2002 Act No.57 of 2002); or
- ii) any other serious adverse social or economic conditions:

- (e) owners of residential properties with a market value lower than an amount determined by the municipality (Impermissible Value of R100 000 on Residential Property)

7. Reductions

Rates will not be levied on:

- 7.1 The increase in value of a property due to rezoning for more advantageous purposes, but which is not used for such advantageous purpose.
- 7.2 The first R100 000.00 (one hundred thousand rand) of the value of developed residential properties assigned in the valuation or supplementary valuation rolls.
- 7.3 A temporary reduction in rates for properties within a disaster area may be taken into account during the preparation of the Municipality's annual budget.

8. Rebates upon Application

Further rebate in the following circumstances may be granted upon application before 30 June in *the year preceding the financial year to which the rebate shall apply:

- 8.1 Pensioner owners (25%);
- 8.2 Disabled owners (20%); **25%**
- 8.3 Medically boarded owners (15%); or **25%**

It remains within the Municipality's discretion to grant such further rebate as it deems fit and/or viable.

9. Impermissible Differentiation

The following rates shall not be levied:

- 9.1 Different rates on residential properties;
- 9.2 A rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties;
- 9.3 Rates which unreasonably discriminate between categories of non-residential properties; or
- 9.4 Additional rates, except as allowed by section 22 of the MPRA.

10. Management of Property Rate Shock

- 10.1 It is understood that with the implementation of a new valuation roll, certain properties will be subject to a higher increase than others. It is also expected that rates on certain properties will decrease;

- 10.2 Council will, during the budget process attempt to limit the rates shocks to property owners due to the increase in the rate payable on their properties as a result of the compilation and implementation of the new valuation roll and
- 10.3 The limit in the increase in rates payable will be set at 250% (draft roll will determine).
- 10.4 The following criteria will apply:
- a) The rates increase must **not** exceed 250%
 - b) The reduction as a result of the rates shock will only apply to Residential property as described in the definition;
 - c) The property must be occupied by the owner of the property;
 - d) Vacant land will not qualify;
 - e) Rates shock will not apply in the case where the rates shock is due to improvements of the property;
 - f) Application for the reduction must be made for each financial year before 31 May and the first application must be made in the first year that the new general valuation roll is implemented and will not apply to any ensuing new valuation roll(s);
 - g) If no application is made in the first year of the implementation of the new valuation roll, no consideration will be made in any ensuing years and will not apply to new owners of the property after the implementation date (1 July 2017) and
 - h) The rate that exceeds the determined percentage will be phased in over ensuing three years.

11. Liability for Payment of Rates

- 11.1 Council must exercise its power to levy a rate on property subject to Section 229 and any other applicable provisions of the Constitution and the provisions of the Municipal Property Rates Act, 2006 as well as the approved rates policy.
- 11.2 Owners of properties are ultimately liable for the payment of rates in relation with their properties. Joint owners are jointly and severally liable; while multiple owners in undivided shares may be held liable for a portion or the rates in their entirety, depending on the circumstances.

12. Rates Account and Annual Assessment Notices

The Municipality shall endeavour to furnish each person liable for the payment of rates with an account specifying the following:

- Balance brought forward;
- Interest;
- Payment / receipts;
- Transaction movement;
- The amount payable monthly for rates due;
- The date on or before which the amount is payable; and
- The market value of the property.

The account holder is liable for the payment of rates regardless of whether they have in fact received such written rates account. It is the rates payer's responsibility to establish the rates due monthly, as well as provide up to date contact information to the Municipality.

The Municipality shall further endeavour to furnish each rate payer with a written notice specifying:

- The amount of rates payable for the financial year;

- The date on or before such amount is payable;
- A breakdown of the amount;
- The market value of the property;
- Whether the property is subject to any compulsory phasing in under section 21 of the MPRA; and
- The amount of discount, if any.

Again, a rate payer is not absolved from the duty to pay as a result of non-receipt of such notice.

13. Payment

Rates are levied for a financial year over a period of 11 (eleven) months, the first instalment payable before or on 31 August of that year.

14. Recovery of Arrears

The Municipality shall endeavour to collect rates in arrears from the registered owner of the property. However, where this proves impossible, the Municipality shall collect such arrears from any tenant, occupier, or agent of the owner. A notice shall first be served on such persons before the arrears are recovered.

The amount recoverable from occupiers or tenants is limited to the amount of rent or other money due or payable but not yet paid by such tenant or occupier to the owner of the property. The amount recoverable from an agent is limited to any rent or other money received by the agent on the owner's behalf, less any commission due to the agent.

15. Incentives

A further five percent (5%) ten percent 10% discount on the annual rates assessment will be granted, if paid in full on or before the last working day of August of the relevant financial year on the following categories of properties:

- Agricultural;
- Vacant land;
- Residential;
- Industrial;
- Business and Commercial;
- Mining

All properties within the Ladysmith CBD, as well as commercial properties in Sir George Street in Colenso, may apply to the Department of Economic Development for further incentives.

For discussion by management

16. Valuation Rolls

A general valuation of all properties in the municipal area will be conducted every four five years. Supplementary valuations will be conducted at least once a year.

In preparation of the valuation rolls, the Municipality or its agents may require the owner, occupier or tenant of a property to provide documentation or information to assist in the valuation. Such information shall not be disclosed except in terms of the MPRA, legal proceedings or a court order.

Where the required information was not provided and later forms part of an appeal process, the appeal board may order that costs be paid by the party who failed or refused to provide the information.

17. Relevant Dates Relating to the Valuation Rolls

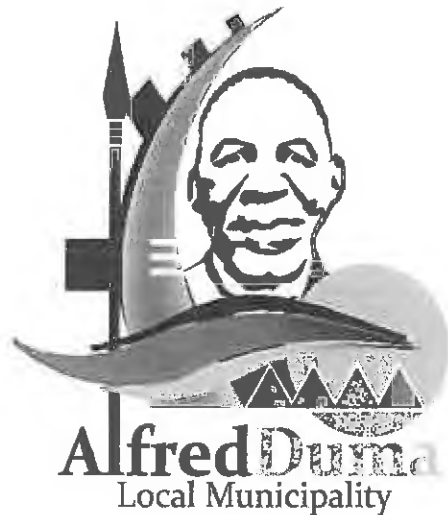
The third general valuation took place with effect from 1 July 2017, and remains valid for a further four five financial years.

Rates become payable on the dates mentioned below where they do not become payable from the date of the general valuation:

Supplementary Valuation Roll	Effective date of Rates Levy
Omitted from General Valuation	Date of Supplementary Valuation Roll
Included in / excluded from municipal area	Inclusion / exclusion date
Subdivided or Consolidated	Registration Date
Market value has substantially increased / decreased since General Valuation Alteration and/or additions to buildings New buildings Rezoning	Date the event occurred
Substantially incorrectly valued during General Valuation	Date of Supplementary Valuation Roll
Re-valued for any exceptional reason	Date of Supplementary Valuation Roll
Change of Category	Date the event occurred
Clerical / Typing error	Date on which the clerical / typing error was made

18. Validity Period of this Policy

This policy is valid for the financial year of **2019/2020**



ALFRED DUMA LOCAL MUNICIPALITY

FUNDING, RESERVES AND PROVISIONS POLICY

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1. INTRODUCTION AND OBJECTIVE

The Council's objective is to ensure the long-term financial sustainability of the municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines towards ensuring financial viability over the short and long term and includes funding, reserves and provisions requirements.

2. SECTION A: FUNDING POLICY

2.1 LEGISLATIVE REQUIREMENTS

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003), an annual budget may only be funded from:

- 2.1.1 Realistically anticipated revenues to be collected, including grants;
- 2.1.2 Cash backed accumulated funds from previous years' surpluses not committed for other purposes, and
- 2.1.3 Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are clear in that the budget must be cash – funded, i.e. cash receipts inclusive of prior period cash surpluses committed to this specific budget, must equal or be more than cash paid.

In determining whether the budget is actually cash funded and in addition ensuring long term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

2.2 STANDARD OF CARE

Each functionary in the budgeting and accounting process must do so with judgment and care with the primary objective of ensuring that the objectives of this policy are achieved.

2.3 STATEMENT OF INTENT

The municipality will not pass a budget which is not cash – funded or where any of the indicators as listed in this document are negative, unless acceptable reasons can be provided for non-compliance and provided that the requirements of the MFMA must at all times be adhered to.

2.4 CASH MANAGEMENT

Cash must be managed in terms of the municipality's Cash Management and Investment Policy.

2.5 LIABILITY MANAGEMENT

Debt must be managed in terms of the municipality's Cash Management and Investment Policy.

2.6 FUNDING OF THE OPERATING BUDGET

2.6.1 INTRODUCTION

The municipality's objective is that the user of municipal resources must pay for such usage in the period in which it will occur.

The municipality recognises the plight of the poor, and in line with national and provincial objectives, commits itself to subsidising services to the poor. This may necessitate cross-subsidisation in some tariffs to be calculated in the budget process.

2.6.2 GENERAL PRINCIPLES WHEN COMPILING THE OPERATING BUDGET

The following specific principles apply when compiling the budget:

- a) The budget must be cash-funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;
- b) Growth parameters must be realistic and be based on historic patterns and adjusted for current reliable information;
- c) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay;
- d) Revenue from Government Grants and Subsidies must be in accordance with the amounts promulgated in the Division of Revenue Act, proven provincial transfers and any transfers from other municipalities;
- e) Projected revenue from service charges must be reflected as net (i.e. all billing less revenue foregone, including free basic services).
- f) Projected revenue from property rates must include all rates to be levied.
- g) For the purpose of the Cash Flow Budget all rebates and discounts must be deducted from the projected revenue.

- h) Only changes in fair values related to cash may be included in the cash flow budget. Changes to unamortized discount must be included in the Operating Budget. Employee related costs include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality. It is therefore determined that the short-term expenditure portion of employee benefits be funded from the current year operating cash surplus.
- i) Depreciation must be fully budgeted for in the operating budget. The funded and unfunded portion will be determined during the budgeting process.
- j) Contributions to provisions (non-current and current) do not form part of the cash flow for provisions, except for the current portion of post-retirement benefits relating to continued members for medical aid, long service awards and leave. It is necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

2.7 FUNDING OF THE CAPITAL BUDGET

2.7.1 INTRODUCTION

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non-existent.

In order to achieve this objective, the municipality must annually, within financial means, budget for the replacement of redundant assets as well as new assets.

2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE

The capital budget can be funded by way of own cash, grants, public contributions as well as external loans.

Cash

The capital budget or portions thereof may also be funded from surplus cash generated in previous financial years. The cash must already be available and not be committed for other purposes or expected to be generated in the current or future years. The allocations of the funding sources from own contributions will be determined during the budget process.

Grants (Including Public Contributions)

Grants for capital expenditure have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should also be taken that grant funding does not place an unreasonable burden on the residents for future maintenance costs which may be higher than their ability to pay.

The accounting officer will annually evaluate the long-term effect of unusual capital grants on future tariffs, and if deemed necessary, report on such to Council.

Depreciation charges on assets financed from grants and donations must not have a negative effect on tariffs charged to the users of such assets. The Accounting Officer will put such accounting measures in place as to comply with this requirement as far as possible.

MFMA Circular 48, read with MFMA Circular 58 and 75, states that municipalities may treat the reclaimed VAT in respect of the expenditure from conditional grant funds as "own revenue". The municipality elects to utilise the full grant funding for the grant related projects.

External Loans

The municipality may only raise loans in accordance with its Cash Management and Investment Policy.

The Accounting Officer must also put such accounting measures in place to ensure that no unspent portions of loans raised, be included in the cash surplus for the year.

2.8 FUNDING COMPLIANCE MEASUREMENT

2.8.1 INTRODUCTION

The municipality must ensure that the annual budget or any subsequent adjustments budget complies with the requirements of the MFMA and this policy. For this purpose, a set of indicators must be used as part of the budget process. These indicators include all the indicators as recommended by National Treasury as well as any additional indicators detailed in this policy.

2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A positive Cash and Cash Equivalents position should be maintained throughout the year.

2.8.3 CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS

The overall cash position of the municipality must be sufficient to include:

- a) unspent conditional grants;
- b) unspent conditional public contributions;
- c) unspent borrowings;
- d) VAT due to SARS;
- e) ceded investments;
- f) the cash portion of statutory funds such as the Housing Development Fund;
- g) other working capital requirements; and
- h) the cash position must be sufficient to back reserves as approved by the municipality and those portions of provisions as indicated in this policy.

INDICATORS

2.8.4 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS ("CASH COVERAGE")

This indicator shows the level of risk should the municipality experience financial stress.

2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS

It is probable that the operating budget including depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a deficit.

As determined elsewhere in this policy it is not the intention that residents be burdened with tariff increases to provide for such depreciation charges. In order to ensure a "balanced" budget, the cash position must be determined.

Should a budget result in a deficit cash position, the budget will be deemed unfunded and must be revised.

2.8.6 PROPERTY RATES / SERVICE CHARGES REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET

The intention of this indicator is to ensure that tariff increases are in line with macro- economic targets, but also to ensure that revenue increases for the expected growth in the geographic area are realistically calculated.

2.8.7 CASH COLLECTION % RATE

The objective of this indicator is to establish whether the projected cash to be collected is realistic and complies with section 18 of the MFMA.

The collection rate for calculating the provision for impairment of receivables must be based on past and present experience. Past experience refers to the collection rates of the prior years and present experience refers to the collection rate of the current financial year as from 1 July.

It is not permissible to project a collection rate higher than the current rate. Any improvement in collection rates during the budget year may be appropriated in an Adjustments Budget.

2.8.8 DEBT IMPAIRMENT EXPENSE AS A PERCENTAGE OF BILLABLE REVENUE

This indicator provides information as to whether the contribution to the provision for impairment of receivables is adequate. In theory it should be equal to the difference between 100% and the cash collection rate, but other factors such as past performance can have an influence on it. Any deviation must be motivated in the budget report.

2.8.9 BORROWING AS A PERCENTAGE OF CAPITAL EXPENDITURE (EXCLUDING GRANTS AND CONTRIBUTIONS)

This indicator provides information as to compliance with the MFMA in determining borrowing needs. The Accounting Officer must ensure compliance with the Municipality's Cash Management and Investment Policy.

2.8.10 GRANT REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE

The percentage attained should never be less than 100% and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a report.

2.8.11 CONSUMER DEBTORS CHANGE (CURRENT AND NON-CURRENT)

The object of the indicator is to determine whether budgeted reductions in outstanding debtors are realistic.

Any unacceptably high increase in either current or non-current debtors' balances should be investigated and reported.

2.8.12 REPAIRS AND MAINTENANCE EXPENDITURE LEVEL

Property Plant and Equipment should be maintained properly at all times in order to ensure sustainable service delivery. The budget should allocate sufficient resources to maintain assets and care should be exercised not to allow a declining maintenance program in order to fund other less important expenditure requirements.

Similarly, if the maintenance requirements become excessive, it could indicate that a capital renewal strategy should be implemented or reviewed.

2.8.13 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL

This indicator supports further the indicator for repairs and maintenance.

The Accounting Officer must, as part of the capital budget, indicate whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

3 SECTION B: RESERVES AND PROVISIONS POLICY

3.1 INTRODUCTION

Fund accounting historically formed the major component of municipal finance in the IMFO standards.

After the change to Generally Recognised Accounting Practice (GRAP), fund accounting is no longer allowed.

The municipality, however, recognizes the importance of providing to the municipality itself, as well as its creditors, financiers, staff, and general public a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities.

This policy therefore aims to provide for a measure of protection by creating certain reserves and provisions.

3.2 LEGAL REQUIREMENTS

There are specific legal requirements for the creation of reserves, such as the Housing Development Fund. The GRAP Standards themselves do not provide for reserves, although certain provisions are required in terms of GRAP.

3.3 TYPES OF RESERVES / PROVISIONS

Reserves / Provisions can be classified into two main categories being “cash funded” and “non–cash funded”.

3.3.1 CASH FUNDED RESERVES

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

a) Statutory reserves

It may be necessary to create reserves prescribed by law, such as the Housing Development Fund. The Accounting Officer must create such reserves according to the directives in the relevant laws.

b) Self-Insurance reserves

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that are not insured externally. This Reserve is ring-fenced within the accumulated surplus. Contributions to the Fund are considered annually during the Budget process.

3.3.2 NON – CASH FUNDED RESERVES / PROVISIONS

On occasion it is necessary to create non-cash funded reserves. The Accounting Officer must create reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required, and provisions such as post-retirement benefits and rehabilitation of land fill sites.

3.4 ACCOUNTING FOR RESERVES AND PROVISIONS

3.4.1 REVALUATION RESERVE

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

3.4.2 OTHER RESERVES

The accounting for all other reserves must be processed through the Statement of Financial Performance. The required transfer to or from the reserves must be processed in the Statement of Net Assets to or from the accumulated surplus.

In terms of GRAP1 transactions may be directly appropriated against these reserves.

3.4.3 PROVISIONS

Provisions are established from contributions appropriated in the annual budget. Currently, the long-term portions of provisions are non-cash funded and are covered by non-current assets.

4. SECTION C: REVIEW OF THE POLICY

This policy shall be reviewed on an annual basis, to ensure that it is in line with the municipality's strategic objectives and with legislation.



ALFRED DUMA LOCAL MUNICIPALITY

SUBSISTENCE AND TRAVELLING ALLOWANCE POLICY

1. OBJECTIVE

It is essential that representatives of the municipality from time to time travel to other cities and towns in order to establish and maintain links and relationships with other municipalities, government bodies, and other parties, institutions and organisations operation in the sphere of local government. It is important for representatives to broaden their knowledge and understanding of and compare local experiences in local government transformation, innovation and change in the rest of the country, and this can effectively be done only through the medium of personal contact with a wide range of local government stakeholders.

This policy sets out the basis for the payment of a subsistence and travel allowance for the purposes of such official travelling outside the Municipal boundaries.

2. RESPONSIBILITIES OF REPRESENTATIVES WHO TRAVEL ON BUSINESS OF THE MUNICIPALITY

- 2.1 Every representative who travels on the business of the municipality must comply with this policy in letter and in spirit;
- 2.2 Representatives who travel on the business of the municipality must appreciate, at all times, that they are ambassadors for the municipality, that their actions, conduct and statements must be in the best interests of the municipality, and that they must comply with any specific mandates they have been given;
- 2.3 If an employee is attending a meeting outside the municipal boundaries, and does not have a driver's licence the employee should be paid a bus fare as per compu-ticket rates as it is not cost effective to let another official to drive an unlicensed official attending a meeting out of town;
- 2.4 Consistent with the municipality's performance monitoring and evaluation objectives, the Municipal Manager will ensure that a database of all representatives and official travelling is kept.

3. SUBSISTENCE AND TRAVEL ALLOWANCE

- 3.1 A subsistence and travel allowance is an amount of money paid by the municipality to a representative to cover the following expenses: -
 - 3.1.1 Meals (including reasonable gratuities);
 - 3.1.2 Incidentals such as refreshments, snacks, drinks etc;
 - 3.1.3 All business-related travel and
 - 3.1.4 Accommodation
- 3.2 A subsistence allowance does not cover any personal recreation, such as visits to a cinema, theatre or nightclubs, or sightseeing;

- 3.3 All travel claims should be submitted for processing and be approved by the HOD and the Municipal Manager latest 30 days after the event. Prior approval documentation must be attached to the travel claim form.

4. ENTITLEMENT TO A SUBSISTENCE AND TRAVEL ALLOWANCE

- 4.1 A representative may claim a daily subsistence allowance as provided in this policy with the understanding that all authorised personal expenses are covered by the subsistence allowance. No further expenses, with the exception of certain business expenses (see below), may be claimed;
- 4.2 The subsistence allowance may not be claimed without the representative having to furnish proof of expenses; Parking and Tollgate receipts must be attached when claiming for Subsistence and Travelling Allowance.
- 4.3 Entertainment of external business associates or contacts or clients or potential investors or potential clients falls outside the scope of the subsistence allowance and will be separately reimbursed (subject to prior approval where applicable). If a representative of the municipality has an entertainment allowance, this entertainment of external business associates or contacts or other parties must be claimed against the entertainment allowance;
- 4.4 A representative of the municipality must claim his or her subsistence allowance, as provided in this policy, preferably after embarking on any official trip.
- 4.5 No subsistence allowance will be paid, and representative will be entitled to a subsistence allowance, if the trip or travel is not related to the official business of the municipality. All travel on business of the municipality must be approved as such before a representative is entitled to a subsistence allowance;
- 4.6 For the purposes of a subsistence allowance, a representative shall mean: -
- 4.6.1 Councillors and officials
- 4.6.2 Any other representative specifically authorised to represent the municipality on a particular occasion.
- 4.7 When travelling, a parking receipt should be attached when claiming for Subsistence and Travelling.

5. CAR RENTAL AND OTHER TRAVEL COSTS

The procurement of the Air Travel by the Municipal Officials should take advantage of the negotiated discounted rates as directed by Circular 82 of the Municipal Finance Management Act No. 56 of 2003 (MFMA).

- 5.1 Municipalities are encouraged to continue considering their own fleet first, where viable, prior to hiring of vehicles;
- 5.2 Only "A" or "B" category vehicles may be rented, unless it is more cost-effective to hire a more expensive vehicle (for example, when the number of representatives involved could justify the hire of a microbus);
- 5.3 Car rental must be approved as part of the travel package before the trip is embarked on. A representative who rents a vehicle whilst travelling on the business of the municipality without having received prior authorisation will only be reimbursed for the cost of the vehicle rental if proof of expenditure can be produced and the representative can demonstrate that vehicle rental was reasonably but unexpectedly necessitated by the circumstances;
- 5.4 If a representative has to utilise his or her personal motor vehicle outside the boundaries demarcated for the municipality he or she will be reimbursed at the tariff prescribed from time to time per kilometre or any other maximum amount prescribed from time to time by the Department of Transport. The distance, to which the reimbursement applies, must be the fastest distance or as recorded on the vehicle mileage recorder, between the Lister Clarence Building and the location where the official business is to be transacted. For employees that are stationed/reporting at Ekuvukeni offices, their official business trip will be recorded from their office at Ekuvukeni. Distances are available on website www.shellgeostar.co.za If the total number of kilometres for which such reimbursement is received exceeds 8 000 in any tax year, reimbursements for the excess kilometres over 8 000 will be taxed for PAYE purposes;
- 5.5 All flights by representatives of the municipality shall be in economy class, unless another class of travel is specifically authorised by the Municipal Manager, Mayor or Executive Committee, as the case may be;
- 5.6 Where possible representatives must travel together, up to a maximum of four (4) in a vehicle, to minimise travelling expenses;
- 5.7 In addition to the above, in all cases the method of travelling which is the most beneficial to Council be used – where municipal transport is available such be used and it be expected from delegates to travel together as far as possible.

6. SUNDRY EXPENSES



Sundry expenses incurred in respect of airport taxes, parking fees, booking fees or toll fees will only be reimbursed with submission of the necessary proof. Where representatives qualify for toll concessions, only the cost of concession toll fees may be claimed. The cost of toll fees will be reimbursed in accordance with the SANRAL toll tariffs as at 1 March of each year and is available on the website www.nra.co.za

7. ACCOMMODATION COSTS AND SUBSISTENCE ALLOWANCE

The procurement of the accommodation should take advantage of the negotiated discounted rates as directed by circular 82 of the Municipal Finance Management Act NO. 56 OF 2003 (MFMA).

- 7.1 The actual cost of accommodation at the rate for a single room will be borne by the municipality provided the availability of resource and that the Supply Chain Management Processes are followed, in the following manner:
 - 7.1.1 In respect of Full-time Councillors up to four (4) star accommodation
 - 7.1.2 In respect of Councillors and Officials up to three (3) star accommodation.
- 7.2 Council shall arrange for dinner, bed and breakfast accommodation. Should the employee not accept Council accommodation, the official may, with consent of the Municipal Manager, arrange his own accommodation in which even a maximum of R750.00 per day shall be payable. Original invoices from the accommodation must be attached to the claim form together with the original toll gate slips;
- 7.3 The Municipal Manager may authorise a higher amount if warranted and sleepover is also to be authorised by the Municipal Manager if the venue is less than 250 km from Emnambithi/Ladysmith Town;
- 7.4 If the cost of accommodation includes, as it often does, the provision of breakfast, a subsistence allowance of R128.00 per day will apply in respect of domestic travel. Where breakfast is excluded the subsistence, allowance will be R150.00 per day.
- 7.5 That should an accommodation allowance be claimed, an amount of R150.00 be claimed in respect of breakfast;
- 7.6 Dinner allowance of R266.00 per night be provided when sleeping in a hotel or guest house. No alcohol to be paid for.
- 7.7 Travelling and Accommodation for Travelling outside the borders of the Republic of South Africa:

7.7.1 An accounting Officer may only approve purchase of economy class tickets for officials where the flying time for the flights is five hours or less; and

7.7.2 for flights exceeding five hours, may purchase business class tickets only accounting officers, and persons reporting directly to accounting officers.

7.7.3 Notwithstanding sub – regulation (7.7.2), an accounting officer may approve the purchase of business class tickets for officials with disabilities

- 7.7 The recoverable cost of travelling and accommodation for travelling outside the borders of the Republic of South Africa is to be determined in terms of the Foreign Subsistence Allowance published by SARS on 1 March each year (Refer to Annexure A). The calculation will be at spot rate on the day on which the claim will be submitted for payment.
- 7.8 In the case of both domestic and international travel, the day of departure and the day of return each qualify for a subsistence allowance of R128.00;
- 7.9 For purposes of this policy, domestic travel shall mean travel within South Africa, and international travel shall mean travel to any country other than South Africa.
- 7.10 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated by the National Treasury, from time to time.

8. SUBSISTENCE ALLOWANCE IF TRAVEL OUTSIDE MUNICIPAL AREA IS FOR A DAY OR PART OF A DAY WITH NO OVERNIGHT STAY

- 8.1 If a representative is travelling internationally, approved South African Revenue Services rates as published are applicable. South African currency should be used in converting foreign currency on the day of paying out the subsistence allowance. If representatives travelling internationally are paid in excess of the South African Revenue Services rates, that such payment should be taxed.
- 8.2 If a representative travel outside the municipal area for six (6) hours or more a subsistence allowance of R150.00 may be claimed;
- 8.3 As an interim measure, in light of the recent amalgamation of Indaka Local Municipality and Emnambithi/Ladysmith Local Municipality, claims that are related to official business undertaken between former Indaka Local Municipality and Emnambithi/Ladysmith Local Municipality, may be claimed subject to prior approval by the Municipal Manager and being six (6) hours or more at an allowance of R150.00.

9. WORKSHOPS ETC FINANCED BY COUNCIL

- 9.1 Accommodation, transport and meals will be arranged at the cost of Council. If any representative prefers accommodation of his/her own choice no subsistence allowance will be payable;
- 9.2 If Council transport not available, transport allowance is in number 5.

10. OVERTIME

If overtime is claimed for any event, no subsistence allowance shall be paid.

11. AUTHORISATION

- 11.1 For purposes of implementing this policy the following shall apply provided that in all instances the expenses to be incurred are on the approved budget;
- 11.2 Only the Municipal Manager or the Mayor as the case may be may authorise any travel of one day or part thereof to be undertaken by officials, or payments to be made for persons invited to Ladysmith for interviews;
- 11.3 Only the Executive Committee may authorise any travel of one (1) day or part thereof to be undertaken by the Mayor, Deputy Mayor, Speaker, any Councillor or the Municipal Manager, provided that the Municipal Manager in consultation with the Mayor may authorise such travel where time is limited to obtain Executive Committee approval;
- 11.4 Only the Executive Committee may authorise any travel in excess of one (1) day to be undertaken by any representative provided that the Municipal Manager or the Mayor as the case may be may authorise such travel where time is limited to obtain Executive Committee approval;
- 11.5 An invitation to attend a workshop, meeting or related event is not an automatic authorisation to attend such workshop or event. The required authorisation must still be obtained from the Municipal Manager or Mayor or Executive Committee, as the case may be.
- 11.6 Councillors should obtain prior authorization from the Speaker and the Municipal Manager will then approve

12. NON-ATTENDANCE OR PARTIAL ATTENDANCE AT ANY EVENT

Representatives to any conference, workshop or meeting must ensure that they arrive on time and attend until the conclusion of such event. If any representative fails to do so, the Executive Committee or the Municipal

Manager, as the case may be, may recover part or all allowances and disbursements paid to enable such delegate or representative to attend such event, provided that such delegate or representative is afforded the opportunity to submit reasons for not being able to be present from the commencement to conclusion of such event.

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13. STAFF ATTENDING LONG COURSES

- 13.1 That a long course will be any course attended for five (5) consecutive working days or longer;
- 13.2 Council shall arrange for dinner, bed and breakfast accommodation. Should the employee not accept Council accommodation, the official may, with consent of the Municipal Manager, arrange his own accommodation in which event a maximum of R750.00 per day shall be payable. Original invoices from the accommodation must be attached to the claim form together with the original toll gate slips;
- 13.3 That if possible, employees attending long courses make use of official transport for the duration of the course, every second week fuel will be provided to return home;
- 13.4 That should it be necessary to utilise private transport the employee be remunerated at the Department of Transport's rates determined from time to time, and also in respect of each two weeks' period of the course to return home;
- 13.5 That the training costs as well as travelling and subsistence allowance for Protection Services Officers attending any Traffic Training College be paid by Council on condition that: -
 - 13.5.1 Satisfactory progress reports be submitted monthly;
 - 13.5.2 The employee enters into an agreement with Council whereby such employee undertakes to remain in Council's service for a period of three (3) years after the attendance of such courses, and should such an employee terminate his service with Council for any reason, the said costs shall be recovered from the employee on a pro rata basis.

14. TRAVEL ALLOWANCES

- 14.1 All Councillors receive a total remuneration package from the municipality that includes a travel allowance.
- 14.2 A Councillor has the discretion and may include a travel allowance in the total remuneration package.
- 14.3 A Councillor that elected to include a travel allowance within the total remuneration package structure must meet the following requirements:

14.3.1 The travel allowance may only be an amount up to the councillor's request on total remuneration package.

14.3.2 A logbook acceptable to the South African Revenue Service (SARS) must be kept recording the official and private kilometres travelled;

14.3.3 The travel allowance will be included in the IRP5 of a Councillor for Purposes of accounting to SARS;

14.3.4 On Income Tax Assessment, a Councillor must account to SARS for the use of the travel allowance.

14.4 Reimbursement Allowance for Travel: -

14.4.1 In addition to the travel allowance, as provided for under 16 above, a Councillor may claim for the official distances travelled within the Alfred Duma Local Municipal boundaries

14.4.2 Such official distances travelled shall be reimbursed in accordance with the applicable tariffs prescribed by the Department of Transport.

14.4.4 Employees participating in the travelling allowance scheme may request authority from the Municipal Manager to log kilometres travelled once they have exceeded their allocated monthly travel allowance of which the total kilometres (subsidized and additional) should not exceed 1000 km's per month

14.4.5 Section 56 employees shall be entitled to re-imbursement of official travelling costs within the Alfred Duma Local Municipal boundaries of which prior approval must be obtained from the Municipal Manager and should not exceed 1000 kilometres per month

14.4.6 Section 54 employees shall be entitled to re-imbursement of official travelling costs within the Alfred Duma Local Municipal boundaries of which prior approval must be obtained from the Mayor and should not exceed 1000 kilometres per month.

14.4.7 Engine Capacity for all vehicles claiming Travelling Allowance is capped at 3.0 litres.

15. OFFICIAL BUSINESS TRAVEL

15.1 Official business-related travel is travel for any purpose that directly relates to the business or job of a Councillor and excludes travelling between the place of residence and ordinary place of work or business.

15.2.1 Local Municipalities

15.2.1.1 Full-time Councillors who are allocated offices at the municipal precinct shall have their ordinary place of business at the municipal precinct;

15.2.1.2 Part-time Proportional Representative Councillors shall similarly have ordinary place of business at the local municipal precinct, unless deployed to a specific ward;

15.2.1.3 Part-time Proportional Representative Councillors deployed to a specific ward shall have their ordinary place of business in that particular ward;

15.2.1.4 Part-time Ward Councillors shall have their ordinary place of business at their respective wards (ward office/home).

16. QUALIFICATION REQUIREMENTS OR ENTITLEMENT TO A REIMBURSEMENT FOR TRAVEL

16.1 A travel reimbursement may only be extended to Councillors that have included the travel allowance within the total remuneration package structure;

16.2 All travel on business of the municipality must be approved as such before a Councillor is entitled to claim for the travel reimbursement.

16.3 A Councillor will be reimbursed, in accordance with the kilometre tariff prescribed by the Department of Transport, for official business travel with their private vehicles;

16.4 A travel reimbursement claim must be supported by proof of such travel and related documents;

16.5 No travel claim will be paid, and no Councillor will be entitled to the reimbursement, if the travel is not related to the official business of the municipality.

17. PROCESS FOR TRAVEL REIMBURSEMENT

17.1 The duly prescribed claim form must be full completed by a Councillor;

17.2 The prescribed form must be submitted, within predetermined dates, to the Finance Department or the duly delegated official to be considered for reimbursement;

17.3 All claims will be reimbursed or paid with the next salary of such a Councillor;

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17.4 A claim for a travel reimbursement must be supported by:-

17.4.1 A logbook acceptable to SARS recording the official kilometres travelled in a defined month;

17.4.2 Any relevant supporting documentation.

17.5 Staff members and Councillors must submit S & T claims by the 14th of every month to the Pay Office to be included in that month pay run.

17.6 Staff members and Councillors are permitted to submit S & T Claims within three (3) months after the date of any trip undertaken on behalf of the municipality.

18. COST OF MOVING / RELOCATION EXPENSES FOR SUCCESSFUL CANDIDATE

18.1 The council shall pay relocation costs in respect of Section 54 and 56 appointees be paid by the Municipality. The Municipality must obtain three quotations and shall pay the amount equals to the lowest quotation.

18.2 That should a staff member who have received benefit of relocation costs leave the employ of the Municipality within six (36) months from date of employment, such costs to be refunded to Council.

18.3 Should the service of the employee be terminated by council through no fault of his /her own, no refund shall be due to the Council.

18.4 In respect of each month or part thereof from the date of termination of such services to the date when the 36 months would have expired, refund 1/36 of the total cost of the assistance granted.

19. LEGAL REQUIREMENTS

In terms of Section 66 of the Municipal Finance Management Act No. 56 of 2003, the accounting officer of the municipality must report to the Council, in the format and for the period prescribed, all expenses relating to the officials/Councillor's salaries, allowances and benefits, separately disclosing (inter alia) travel, subsistence and accommodation allowances paid.



ALFRED DUMA LOCAL MUNICIPALITY

SUPPLY CHAIN

MANAGEMENT

POLICY

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Alfred Duma Municipality Supply Chain Management Policy

DEFINITIONS

In this policy, unless the context indicates otherwise, the following definitions are applied –

‘Accounting Officer’ means the Municipal Manager of the Municipality within the meaning of Section 82 of the Municipal Structures Act, 1998 (Act No.117 of 1998);

‘The Act’ means the Local Government Municipal Finance Management Act 2003 (Act No. 56 of 2003);

‘Bid’ means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods. This replaces ‘tender’ used in previous policies;

‘CFO’ means the Chief Financial Officer;

‘Close family member’ means: (i) a member of the same household (including someone residing on the premises), (ii) parent (including adoptive parent), (iii) parent-in-law, (iv) son (including adoptive son), (v) son-in-law, (vi) daughter (including adoptive daughter), (vii) daughter-in-law, (viii) step-parent, (ix) step-son, (x) step-daughter, (xi) brother, (xii) sister, (xiii) grandparent, (xiv) grandchild, (xv) uncle, (xvi) aunt, (xvii) nephew, (xviii) niece, (xix) the spouse or unmarried partner in any of (i) to (xii) above;

‘Contract’ means the agreement that results from the acceptance of a bid or quotation by the Municipality;

‘Firm price’ is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy or tax which in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies or the rendering costs of any service, for the execution of the contract.

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'In the service of the state' means to be –

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) a member of the accounting authority of any national or provincial or public entity; or
- (f) an employee of Parliament or provincial legislature.

'Joint Venture' means a joint venture formed by Members in accordance with an Agreement;

'Long-term contract' means a contract with a period exceeding one (1) year;

'MCM' means the Management Committee of the municipality;

'MFMA' means the Municipal Finance Management Act (Act No. 56 of 2003);

'Quotation' means a stated price that a supplier expects to receive for the provision of specified services, works or goods.

'Relevant Executive Director' means the Head of the Department for which the goods or services are being procured; and

'SMME' means a supplier or entrepreneur with an annual turnover of R25 million or less and with black ownership, risk and control of not less than 50% is termed a small black supplier (SBS).

'Senior Manager' is defined in terms of Section 56 of the Municipal Structures Act as “a manager directly accountable to the Municipal Manager”.

'Supply Chain Management Practitioners' includes the Chief Financial Officer, Director: Finance, Assistant Manager: Finance, Senior Accountant: Budget Office and Supply Chain Management, and Accountant: Supply Chain Management.

'Supply Chain Management Unit' comprises of the Supply Chain Manager, Quotation Clerks, Requisition Clerks, Delivery Clerks and Tender Clerks.

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'Treasury guidelines' means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA.

1. OBJECTIVES

To provide a policy in which the Accounting Officer can institute and maintain a supply chain management system that:

- (a) Is transparent, efficient, equitable, competitive, and cost effective for the municipality,
- (b) Applies the highest ethical standards,
- (c) Promotes local economic development,
- (d) Assists in the delivery of quality service to the municipality's customers,
- (e) Promotes interest and confidence in the municipality's procurement processes and other related processes, and
- (f) Gives effect to and complies with relevant legislation, regulations and standards.

By adopting this policy, the council undertakes to observe all applicable national legislation (including amendments and regulations) notably the:

- (a) Preferential Procurement Policy Framework Act No. 5 of 2000;
- (b) Broad Based Black Economic Empowerment Act No 53 of 2003; and
- (c) Municipal Finance Management Act No. 56 of 2003.

This policy is designed to supplement legal prescriptions, and the main provisions are either annexed to this policy or available in the relevant Acts, Regulations and Frameworks.

2. SUPPLY CHAIN MANAGEMENT POLICY

- (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –
 - (a) Gives effect to –
- (i) Section 217 of the Constitution; and

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- (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) Is fair, equitable, transparent, competitive and cost effective;
 - (c) Complies with –
 - (i) The Regulations; and
 - (ii) Any minimum norms and standards that may be prescribed in terms of Section 168 of the Act;
 - (d) Is consistent with other applicable legislation;
 - (e) Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) Is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) This Policy applies when the municipality –
- (a) Procures goods or services;
 - (b) Disposes goods that are no longer needed;
 - (c) Selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) Selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
- (a) Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) Electricity from Eskom or another public entity, another municipality or a municipal entity.

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3. AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

- (1) The Accounting Officer must –
 - (a) At least annually review the implementation of this Policy; and
 - (b) When the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to the Council.
- (2) If the Accounting Officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the Accounting Officer must –
 - (a) Ensure that such proposed amendments comply with the Regulations; and
 - (b) Report any deviation from the model policy to the National Treasury and the relevant Provincial Treasury.
- (3) When amending this supply chain management policy, the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

4. METHODS AND PROCESS OF PROCUREMENT

4.1 Procedures for Procurement

The relevant department will prepare the request for quotations.

All requests for the procurement of goods and services must:

- (a) Clearly specify the nature and quantity/duration of the goods and services required. Specifications should be prepared in an unbiased manner and in sufficient detail to enable meaningful evaluation of quotes and bids.
- (b) For requirements above R30 000, include the selection criteria which the quote will be evaluated against, noting that the Preferential Procurement Policy Framework and Supply Chain Management Regulations will apply above R30 000.

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- (c) Certified by the respective departmental official responsible for financial management that there is sufficient budget provision in their relevant budget for the procurement.
- (d) Signed by the Executive Director or official designated by them for this purpose.
- (e) Provided in sufficient time to allow for the lead time involved to procure the goods or services in accordance with this policy.

The municipality is not obliged to accept any quotation or bid received. For a quotation or bid to be considered, it must substantially meet the specifications for the procurement and meet the needs of the municipality. If no quotation or bid is in terms of the specification, the evaluation authority may either:

1. Call for new bids, or
2. Recommend acceptance of the bid nearest to specification provided the evaluation authority is satisfied it offers acceptable value for money, will meet the needs of the municipality, and the Executive Director for which goods are procured concurs with the decision.

4.2 Petty Cash Purchases of R0 to an estimated value of R2 000

Petty cash purchases from R0 up to a value of R2 000 (VAT inclusive) may be procured by obtaining one (1) verbal quote provided a registered supplier from the Central Supplier Database of Government is used and the Executive Director is satisfied that the procurement is cost effective and fair. If a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider. Individual transactions are limited to a maximum of R2000.00.

All petty cash purchases will be approved by the Executive Director, or a delegated official, prior to purchase and limited to a total of R 10 000.00 per month per department. Petty Cash purchases must be made in line with the Petty Cash Management Policy, as approved by Council.

The Executive Director must supply monthly reports on petty cash purchases in accordance with Section 14 'Reporting'. Details of the date, company name, description of service or product and the amount must be included in the report.

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Payments in respect of tyre puncture repairs to municipal vehicles may be paid from petty cash provided that a registered supplier from the municipal database is used.

4.3 Purchases to an estimated value of more than R 2000 to R29 999

Goods and services with a value up to R29 999 (VAT inclusive & other than petty cash purchases above) may be procured by obtaining three (3) written quotations from the list of prospective suppliers on the Central Supplier Database of Government (CSD) on a rotational basis, to avoid the abuse of this process. All quotes are to be inclusive of VAT and the relevant officer will record the name of each potential provider and their quoted prices. The supplier will provide written confirmation of price and goods for placement of an order.

All prospective suppliers must meet the listing requirements of Section 13 (a), (b) and (c) of the Supply Chain Management Regulations.

Quotations of an amount more than R2000 up to R29 999 will be evaluated by the Supply Chain Management Unit officials and be submitted for approval as per Section 4.6 of this policy.

If it is not possible to obtain three (3) quotes, the reasons should be documented by the relevant officer and reported quarterly to the Accounting Officer.

Quotations can be sought from unlisted providers when there are no suitable providers for the commodity or service, provided the suppliers meet the following listing criteria of the Supply Chain Management Regulations.

The provider who submitted the quotation:

- (a) has furnished the municipality with that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
- (b) has authorised the municipality to obtain a tax clearance certificate from the South African Revenue Services that the provider's tax matters are in order; and
- (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve (12) months;

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- (ii) if the provider is not a natural person, whether any of its directors,

managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve (12) months; or

- (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in sub paragraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve (12) months.

4.4 Purchases to an estimated value of R30 000 up to R 199 999

Procurement for (individual items)/requirements above R30 000 up to R199 999 (VAT inclusive) will be by inviting written price quotations (from the list of prospective suppliers in the first instance, when the municipal database is available).

For quotations above R30 000:

- (a) The request will be displayed on the municipality's notice board provided for the purpose, and on the website. Quotation notices will give at least seven (7) days notice and indicate the closing date for submissions.
- (b) The request will be subject to the requirements of the Preferential Procurement Policy Framework Act and its Regulations and evaluated in terms of the 80/20 point system.
- (c) The Executive Director: Finance (CFO) or the Director: Finance is authorised to sign the advertisements for procurement of goods and services above R30 000 to R199 999.

The quotation is required:

- (i) To be in writing, and signed by a person with the necessary authority to act on behalf of the prospective supplier, placed in a sealed envelope which is clearly marked with the notice number and deposited in the quotation box before or on the specified closing date and time.
- (ii) Substantially comply with the specifications set out in the quotation notice;

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Where it is not possible to advertise for seven (7) days, the reasons will be documented by the relevant officer and approved by the Management Committee.

Where it is not possible to seek prior approval from the Management Committee due to time constraints, approval must be obtained from the Accounting Officer.

4.5 Purchased to an estimated value of R 200 000 and above and Long-Term Contracts

Procurement requisitions per case above R200 000 (VAT inclusive) and long-term contracts will be by bid invitation. The request for bids will be prepared by the client department and the submitted to the Bid Specification Committee. The Bid document must also be provided to the Supply Chain Management Unit to:

- (a) Display on the municipality's notice board created for this purpose.
- (b) Place on the Municipality's website.
- (c) Advertise in a commonly circulated local newspaper for at least fourteen(14) days from the date the advertisement is placed for requirements not above a transaction value of R10 million and for thirty (30) days for requirements in excess of R10 million and long term contracts for longer than a period of one (1) year.
- (d) Include the requirement that bids can only be submitted on the bid documentation provided by the municipality.
- (e) Include the date, time and location of any site meeting or briefing session.
- (f) Include the closing date and opening time of the bid.
- (g) Include a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic.

The Accounting Officer may determine a closure date for the submission of bids which is less than the thirty (30) days or fourteen (14) days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

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The Bid Specification Committee may decide to extend the public invitation to other means such as the Government Tender Bulletin and the National Press.

For a bid to be considered, it must comply with the requirements of Section 13 (a), (b) and (c) of the Supply Chain Management Regulations, and Section 7 of the policy, 'General Conditions and Procedures'. The Municipality may charge a non-refundable deposit for provision of bid documents. Bids from 'Prohibited Bidders' in terms of Sections 43 and 44 of the Supply Chain Management Regulations will not be considered.

The Bid Evaluation Committee will evaluate bids above R200 000 in accordance with the principles of adjudication of this policy and make recommendations to the Bid Adjudication Committee.

4.6 Delegation for Procurement Process

Purchase Value	Required Process
Petty Cash R0 to R2 000	<ul style="list-style-type: none"> One (1) verbal quote from database of suppliers. Approved by Executive Director. Reported to MCM monthly. Transaction should not exceed R2000.
Above R10 000 to R29 999	<ul style="list-style-type: none"> At least three (3) written quotations (from the database of suppliers when available). Valid tax clearance certificate required. Expenditure approval by Executive Director and Chief Financial Officer/Director: Finance/ Manager: Supply Chain Management/ Assistant Manager: Supply Chain Management or any other delegated official.
Above R30 000 to R199 999	<ul style="list-style-type: none"> At least three (3) written quotations (from the database of suppliers when available). Valid tax clearance certificate required. Seven (7) day advertisement on Municipal Website and Municipal Notice Boards. 80/20 Preference Point System applies. Expenditure approval by Executive Director and Chief Financial Officer/Director :Finance and/or Accounting Officer

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Above R200 000 to R50 000 000	<ul style="list-style-type: none"> • Formal bid required. • Recommendation by Bid Evaluation Committee. • Preferential Procurement Policy Framework Act and Supply Chain Management Regulations - 80/20 Preference Point System applies. • Approval by Bid Adjudication Committee and/or Accounting Officer.
Above R50 000 000	<ul style="list-style-type: none"> • Formal bid required. • Recommendation by Bid Adjudication Committee • Preferential Procurement Policy Framework Act and Supply Chain Management Regulations– 90/10 Preference Point System applies • Approval by Bid Adjudication Committee and/or Accounting Officer.

Evaluation of tenders on functionality

- 4.6.1** An organ of state must indicate in the invitation to submit a tender if that tender will be evaluated on functionality.
- 4.6.2** The evaluation criteria for measuring functionality must be objective.
- 4.6.3** The tender documents must specify-
- a) the evaluation criteria for measuring functionality
 - b) the points for each criteria and, if any, each sub-criterion,
 - c) the minimum qualifying score for functionality
- 4.6.4** The minimum qualifying score for functionality for a tender to be considered further –
- a) must be determined separately for each tender. and
 - b) may not be so-
 - (i) low that it may jeopardise the quality of the required goods or services:
 - or
 - (ii) high that it is unreasonably restrictive.
- 4.6.5** Points scored for functionality must be rounded off to the nearest two decimal places.

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- 4.6.6** A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
- 4.6.7** Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in regulation 11.
- 4.6.8** The municipality will implement a pre-qualification/functionality scorecard for all Supply Chain Management processes above R30 000, taking into consideration the nature of the procurement. Factors taken into consideration includes but is not limited to the following:
- Locality
 - Disability
 - Experience
 - Female Owned
 - Youth

4.6.9 Pre-qualification criteria for preferential procurement

1. If an organ of state decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond-
 - (a) a tenderer having a stipulated minimum B-BBEE status level of contributor;
 - (b) an EME or QSE;
 - (c) a tenderer subcontracting a minimum of 30% to-
 - (a) and EME of QSE;
 - (b) an EME or QSE which is at least 51% owned by black people;
 - (c) an EME or QSE which is at least 51% owned by black people who are youth;
 - (d) an EME or QSE which is at least 51% owned by people who are women;
 - (e) an EME or QSE which is at least 51% owned by black people with disabilities;

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- (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
 - (g) a co-operative which is at least 51% owned by black people;
 - (h) an EME or QSE which is at least 51% owned by black people who are military veterans.
2. A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

4.7 Principles of Adjudication

4.7.1 Adjudication of Bids valued at more than R 30 000 to R1 000 000

For all quotations and bids with an estimated value of more than R30 000 to R1 000 000, preference points will be allocated as follows:

	POINTS
Price	80
Specified Goals	<u>20</u>
Total	<u>100</u>

The following formula will be used to calculate the points for price in respect of competitive bids/prices or quotations with a Rand value above/more than R30 000 to R1 000 000.

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

P_s = Points scored for price of bid/offer under consideration.

P_t = Rand value of offer/bid consideration.

P_{\min} = Rand value of lowest acceptable bid/offer.

4.7.1.1 Subject to point (4.7.1.1), points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the table below.

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B-BBEE STATUS LEVEL OF CONTRIBUTOR	NUMBER OF POINTS
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

4.7.1.2 A maximum of 20 points may be allocated in accordance with point 4.7.1.1.

4.7.1.3 The points scored by a bidder in respect of B-BBEE contribution contemplated in point 4.7.1.1 must be added to the points scored for price as calculated in accordance with point 4.7.1. Points will only be allocated to a supplier whose B-BBEE certificate was issued by a SANAS accredited institution. In the case of Emerging Micro Enterprises points will only be awarded for B-BBEE certificates issued by Accountants/Auditors accredited by professional bodies.

4.7.1.4 Subject to regulation 4.7.3, the contract must be awarded to the bidder who scores the highest total number of points.

4.7.2 Adjudication of Bids above R50 000 000

For all bids with an estimated value above R50 000 000, preference points will be allocated as follows:

	POINTS
Price	90
Specified Goals	<u>10</u>
Total	<u>100</u>

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4.7.2.1 The following formula must be used to calculate the points for price in respect of competitive bids/prices and quotations with a Rand value above R50 000 000 (all applicable taxes included):

$$P_s = 90 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

P_s = Points scored for price of bid/offer under consideration.

P_t = Rand value of offer/bid consideration.

P_{\min} = Rand value of lowest acceptable bid/offer.

4.7.2.2 Subject to point 4.7.2.3, points must be awarded to a bidder for attaining their B-BBEE Status level of contributor in accordance with the table below:

B-BBEE STATUS LEVEL OF CONTRIBUTOR	NUMBER OF POINTS
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

Prior to the award of a bid, the Municipality may cancel the bid process.

4.7.2.3 A maximum of 10 points may be allocated in accordance with point 4.7.2.2.

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4.7.2.4 The points scored by a bidder in respect of the level of B-BBEE contribution contemplated in point 4.7.2.2 must be added to the points scored for price as calculated in accordance with point 4.7.2.1.

4.7.2.5 Subject to regulation 4.7.3, the contract must be awarded to the bidder who scores the highest total number of points.

4.7.3 Award of contracts to bidders not scoring the highest number of points

4.7.3.1 A contract may be awarded to a bidder that did not score the highest total number of points, only in accordance with section 2 (1) (f) of the Act.

4.7.3.1.1 If an organ of state intends to apply objective criteria in terms of section 2(1)(f) of the Act, the organ of state must stipulate the objective criteria in the tender documents.

4.7.3.2 In exceptional circumstances a contract may on reasonable and justifiable grounds, be awarded to a bidder that did not score the highest points. The reasons for such a decision must be approved and recorded for audit purposes and must be justifiable in a court of law.

Circumstances

- (a) If the bidder is engaged in another similar project for which he was appointed by the Alfred Duma Municipality.
- (b) If the capability of the bidder is deemed unfit to execute two projects at the same time.
- (c) The rotation and fair distribution of work to contractors, especially local SMME's.
- (d) If the bidders progress on a previously appointed project is unsatisfactory.

Criteria for breaking deadlock in scoring

- (a) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for B-BBEE.
- (b) If functionality is part of the evaluation process and two or more tenderers score equal total points and equal preference points for B-BBEE, the

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contract must be awarded to the tenderer that scored the highest points for functionality.

- (c) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

4.7.4 Cancellation and re-invitation of bids

4.7.4.1 (a) In the event that, in the application of the 80/20 preference point system as stipulated in the bid documents, all bids received exceed the estimated Rand value of R50 000 000, the bid invitation must be cancelled.

- (b) If one or more of the acceptable bids received are within the prescribed threshold of R50 000 000, all bids received must be evaluated on the 80/20 preference point system.

4.7.4.2 (a) In the event that, in the application of the 90/10 preference point system as stipulated in the bid documents, all bids received are equal to, or below R50 000 000, the bid must be cancelled.

- (b) If one or more of the acceptable bids received are above the prescribed threshold of R50 000 000, all bids received must be evaluated on the 90/10 preference point system.

4.7.4.3 An organ of state which has cancelled a bid invitation as contemplated in point 4.7.4.1 (a) and 4.7.4.2 (a) must re-invite bids and must, in the bid documents, stipulate the correct preference point system to be applied.

4.7.4.4 An organ of state may, prior to the award of a bid, cancel a bid if-

- (a) due to changed circumstances, there is no longer a need for the services, works or goods requested; or
- (b) funds are no longer available to cover the total envisaged expenditure; or
- (c) no acceptable bids are received.

4.7.4.5 The lowest or any bid will not necessarily be accepted and the Alfred Duma Municipality reserve the right to accept the whole or any part of a bid or to reject any or all the bids without stating the reasons thereof.

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4.7.4.6 Regret letters will be sent to all bidders informing them that the bidding process has been cancelled.

4.7.4.7 Remedies

- (1) Upon detecting that a tenderer submitted false information regarding its B-BBEE status level of contributor, local production and content, or any other matter required in terms of these Regulations which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any subcontracting arrangements, the organ of state must-
 - (a) inform a tenderer accordingly;
 - (b) give the tenderer an opportunity to make representations within 14 days as to why-
 - (i) the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part;
 - (ii) if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10 percent of the value of the contract; and
 - (iii) the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and
 - (c) if it concludes, after considering the representations referred to in subregulation (1)(b), that
 - (i) such false information was submitted by the tenderer-
 - (aa) disqualify the tenderer or terminate the contract in whole or in part; and
 - (bb) if applicable, claim damages from the tenderer; or
 - (ii) the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalise the tenderer up to ten 10 percent of the value of the contract.
- (2)(a) An organ of state must-
 - (i) inform the National Treasury, in writing, of any actions take in terms of subregulation (1);
 - (ii) provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and

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- (iii) submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.
- (b) The National Treasury may request an organ of state to submit further information pertaining to subregulation (1) within a specified period.
- (3) The National Treasury must-
 - (a) after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any organ of state for a period not exceeding 10 years; and
 - (b) maintain and publish on its official website a list of restricted suppliers.

4.8 Supply Chain Management Unit

A Supply Chain Management Unit will be established in the Budget and Treasury Office of the Department: Finance to implement this policy. This Unit will report to the Chief Financial Officer (or delegate) in terms of section 82 of the Act.

4.9 Negotiations with Preferred Bidders

- (1) The Accounting Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
 - a) Does not allow any preferred bidder a second or unfair opportunity;
 - b) Is not to the detriment of any other bidder; and
 - c) Does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

4.10 Advising of Results

All approved bids will be listed on the municipality's website and relevant notice boards on a quarterly basis for a period of seven (7) days. In addition, the Supply Chain Management Unit will notify successful bidders in writing of the awarding of the contract subject to the time period for appeal by unsuccessful bids. The Council will be informed of all bids considered by the Bid Adjudication Committee.

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4.11 Compilation of a List of Prospective Suppliers

- (1) The Accounting Officer (or delegate) will-
 - a) Compile a list of prospective suppliers to be used in procurement requirements in terms of Section 4.2, 4.3 and 4.4 above.
 - b) At least once a year through commonly circulated local newspapers, the municipality's website and any other appropriate ways, invite prospective suppliers of goods or services to apply for evaluation and listing as accredited prospective suppliers.
 - c) Specify the listing criteria for accredited prospective providers; and
 - d) Disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services.
- (3) Suppliers who wish to be included in the list of prospective suppliers without waiting for the next invitation may approach the Supply Chain Management Unit for inclusion, provided they supply the necessary documentation and information for evaluation. Once these requirements have been satisfied, the Supply Chain Management Unit will evaluate the supplier and provide a response within fourteen (14) days.
- (4) The list must be compiled per commodity and per type of service.
- (5) To be eligible for listing, all prospective suppliers must meet the criteria of Section 13 (a), (b) and (c) of the Supply Chain Management Regulations.

4.12 Two-stage Bidding Process

- (1) A two-stage bidding process may be used for
 - (a) Large complex projects;
 - (b) Projects where it may be undesirable to prepare complete detailed technical specifications in advance, and
 - (c) Long term projects with a duration period exceeding three (3) years.
- (2) The first stage will invite technical proposals on the basis of conceptual design or performance specifications, subject to adjustments and technical and commercial clarifications.

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- (3) The second stage will require amended bidding documents, and the submission of final technical proposals and priced bids.

4.13 Unsolicited bids

- (1) In accordance with Section 113 of the Act, there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The Accounting Officer may decide in terms of Section 113(2) of the Act to consider an unsolicited bid, only if –
- (a) The product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) The product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) The person who made the bid is the sole provider of the product or service; and
 - (d) The reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- (3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with Section 21A of the Municipal Systems Act, together with –
- (a) Reasons as to why the bid should not be open to other competitors;
 - (b) An explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) An invitation to the public or other potential suppliers to submit their comments within thirty (30) days of the notice.
- (4) The Accounting Officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant Provincial Treasury for comment.
- (5) The Bid Adjudication Committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.
- (6) A meeting of the Bid Adjudication Committee to consider an unsolicited bid must be open to the public.

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- (7) When considering the matter, the Bid Adjudication Committee must take into account –
- (a) Any comments submitted by the public; and
 - (b) Any written comments and recommendations of the National Treasury or the relevant Provincial Treasury.
- (8) If any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the Accounting Officer must submit to the Auditor-General, the relevant Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven (7) days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within thirty (30) days of the submission.

4.14 Procurement of Goods and Services under contracts secured by other Organs of State

- (1) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –
- (a) The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) There is no reason to believe that such contract was not validly procured;
 - (c) There are demonstrable discounts or benefits to do so; and
 - (d) That other organ of state and the provider have consented to such procurement in writing.

Sub paragraphs (1)(c) and (d) do not apply if –

- (a) A municipal entity procures goods or services through a contract secured by its parent municipality; or
- (b) A municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

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(2) This process can be applied under the following circumstances:

- (a) If the contract was advertised and the bid was not responsive.
- (b) If the Supply Chain Management processes were delayed due to an objection or an appeal.
- (c) Due to technical challenges in the implementation of the project e.g. Land etc.
- (d) If the appointed bidder is unable to complete the project.
- (e) To avoid the withdrawal of grants allocated to Council.
- (f) Due to inadequate time to undergo the normal Supply Chain Management processes.

4.15 Proudly SA Campaign

The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- Firstly – suppliers and businesses within the municipality or district;
- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic.

4.16 SMALL MICRO MEDIUM ENTERPRISES

4.16.1 EMERGING CONTRACTORS

Registration and Profiling

The following are minimum requirements for admission into the Municipality's supplier database:

- 4.16.1.1 Registration with CIDB
- 4.16.1.2 Undergone the determined Engineering Basic Training (for CIDB level 1)
- 4.16.1.3 Registration on the Central Supplier Database of Government (CSD)

4.16.2 Database Formulation

- 4.16.2.1 The municipality reserves the right to limit the number of emerging contractors it registers in order to manage the development of contractors efficiently and effectively.

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4.16.2.2 The list should be used to promote participation of Local Black-owned Small, Medium and Micro Enterprises (SMME's).

4.16.2.3 The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services.

The following schedule indicates the maximum number of contracts and maximum values within each stage that a single contractor must complete before advancing to the next stage.

STAGE	MAXIMUM CONTRACT VALUE	MAXIMUM NUMBER OF ANY PROJECTS	MAXIMUM ACCUMULATED CONTRACT VALUES IN THE STAGE
1	R50 000.00	4	R200 000.00
2	R100 000.00	4	R400 000.00
3	R150 000.00	4	R600 000.00
4	R200 000.00	4	R800 000.00
5	R500 000.00	5	R1 000 000.00
6	R1 500 000.00	3	R4 500 000.00

- The Alfred Duma Municipality will implement these thresholds in a phased approach. The first stage will be implemented and reviewed in 2012/2013.
- Goods and services may be procured from SMME's at a premium of 10%.
- SMME's within the very micro category will be paid within seven (7) days of receipt of an approved invoice. All other payment are to be made within fourteen (14) days.
- A person awarded a contract of an amount greater than or equal to R50 000 000 (Fifty Million Rand) must include 50% local labour in their staff component.
- A person awarded a contract of an amount greater than or equal to R50 000 000 (Fifty Million Rand) must subcontract the minimum of 20% of the contract to local contractors.

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4.16.3 Subcontracting as condition of tender

- 14.16.3.1 If feasible to subcontract for a contract above R30 000 000 an organ of state must apply subcontracting to advance designated groups.
- 14.16.3.2 If an organ of state applies subcontracting as contemplated in subregulation (1), the organ of state must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to _
- (a) and EME of QSE;
 - (b) an EME or QSE which is at least 51% owned by black people;
 - (c) an EME or QSE which is at least 51% owned by black people who are youth;
 - (d) an EME or QSE which is at least 51% owned by people who are women;
 - (e) an EME or QSE which is at least 51% owned by black people with disabilities;
 - (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
 - (g) a co-operative which is at least 51% owned by black people;
 - (h) an EME or QSE which is at least 51% owned by black people who are military veterans; or
 - (i) more than one of the categories referred to in paragraphs (a) to (h).
- 14.16.3.3 The organ of state must make available the list of suppliers registered on a database approved by National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in subregulation (2) from which the tenderer must select a supplier.

4.16.4 Subcontracting after award of tender

- 14.16.4.1 A person awarded a contract may only enter into a subcontracting arrangement with the approval of the organ of state.
- 14.16.4.2 A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- 14.16.4.3 A person awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract.

5. DEVIATIONS FROM THE PROCUREMENT PROCESS

- (1) The Accounting Officer may -
 - (i) Deviate from the processes established by this policy and procure through any convenient process, which may include direct negotiations, but only
 - (i) In an emergency;
 - (ii) If such goods or services are produced or available from a single supplier only;
 - (iii) For the acquisition of special works of art or historical objects where the specifications are difficult to compile;
 - (iv) Acquisition of animals for zoos and/or nature and game reserves; or
 - (v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (vi) If it is not possible to obtain three (3) quotations, the reasons should be documented by the relevant officer, approved by the Director: Finance and be reported quarterly to the Accounting Officer.
 - (b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

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- (c) If there is a need to deviate from the Supply Chain Management processes, the Executive Director of the affected Department must submit a motivation in writing to the Accounting Officer for approval. Once approval from the Accounting Officer has been obtained, the procurement form and the signed approval must be submitted to the Department of Finance (SCM Unit) to expedite the procurement process.
- (2) The Accounting Officer must record the reasons for any deviations in terms of sub paragraphs (1), (a) and (b) of this policy and report them to the next meeting of the Council and include as a note to the Annual Financial Statements.
- (3) Sub paragraph (2) does not apply to the procurement of good and services, including –
 - (a) Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) Electricity from Eskom or another public entity, another municipality or a municipal entity.

6. SUPPLY CHAIN MANAGEMENT COMMITTEES

6.1 Bid Specification Committee

The Accounting Officer will appoint members to the Bid Specification Committee to compile the specifications for procurement of goods or services by the municipality.

Specifications should be:

- (1) Prepared in an unbiased manner to allow all potential suppliers to offer their goods or services;
- (2) In sufficient detail to enable meaningful evaluation of quotes and bids;
- (3) Take into account any accepted standards such as those issued by Standards South Africa, the International Standards Organisation or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- (4) Where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

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- (5) May not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- (6) May not refer to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work in which case such reference must be accompanied by the words "equivalent";
- (7) Must Indicate each specific goal for which points may be awarded in terms of the points system in the Preferential Procurement Act and its Regulations; and
- (8) Must be approved by the Accounting Officer prior to the advertisement of the bid.
- (9) A bid specification committee must be comprised of one or more officials of the municipality or municipal entity, preferable by the manager responsible for the function involved and may, when appropriate, include external specialist advisers.
- (10) No person, advisor or corporate entity involved with the Bid specification Committee may bid for any resulting contracts.

6.2 Bid Evaluation Committee

The Accounting Officer will appoint members to the Bid Evaluation Committee to undertake the evaluation of bids.

- (1) The Bid Evaluation Committee will –
 - (a) Evaluate bids in accordance with
 - (i) The specifications for a specific procurement; and
 - (ii) The points system as set out in Section 4.7 of this policy.
 - (b) Ensure bids are compliant with the requirements of the Supply Chain Management Regulations and this policy;
 - (c) Evaluate each bidder's ability to execute the contract;
 - (d) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and
 - (e) Submit to the Bid Adjudication Committee, within fourteen (14) days of the closing date of bids, a report and recommendations regarding the award of the bid or any other related matter.
- (2) The Bid Evaluation Committee must as far as possible be composed of –
 - (a) Officials from Departments requiring the goods or services; and

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- (b) At least one Supply Chain Management practitioner of the municipality or municipal entity;
- (3) The Bid Evaluation Committee will reject any bidder who:
 - (a) Fails to provide proof from SARS that the bidder has no outstanding tax obligations, or has made arrangements to meet outstanding tax obligations,
 - (b) Has municipal rates, taxes and service charge in arrears,
 - (c) Has committed a corrupt or fraudulent act in competing for the contract, or has been convicted of fraud or corruption in the last five (5) years,
 - (d) Has abused the Supply Chain Management System or committed any improper conduct in relation to the system, and
 - (e) Has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five(5) years.
- (4) Within fourteen (14) days of the closing of bids, the Bid Evaluation Committee will provide to the Bid Adjudication Committee a report and recommendations regarding the award of the bid or any other related matter.

6.3 Bid Adjudication Committee

- (1) The Accounting Officer will appoint members to the Bid Adjudication Committee to perform the adjudicating functions of this policy. The committee must consist of at least four (4) Senior Managers and will be composed as follows:
 - (a) At least three (3) Senior Managers who are not a Head of the Department being procured for.
 - (b) The Chief Financial Officer or, if unavailable, another manager in the Budget and Treasury Office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer.
 - (c) At least one Senior Supply Chain Management practitioner who is an official of the municipality.
 - (d) A technical expert in the relevant field, who is an official of the municipality, if such an expert exists (and who was not part of the Bid Evaluation Committee).

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- (2) Neither a member of the Bid Evaluation Committee, nor an advisor of a person assisting the Bid Evaluation Committee, may be a member of the Bid Adjudication Committee.
- (3) The Accounting Officer will appoint the chairperson and an alternate Chairperson of the committee and when one of the appointees is absent, the members of the committee who are present will elect one of them to preside at the meeting.
- (4) The Bid Adjudication Committee will –
 - (a) For bids with a value of R5 000 000 or less, make a final award or a recommendation to the Accounting Officer to make the final award.
 - (b) For bids with a value greater than R5 000 000, make recommendation to the Accounting Officer on how to proceed with the relevant procurement.
- (4) The Bid Adjudication Committee will effectively meet as a sub committee of the Management Committee with the exclusion of the Accounting Officer and Heads of Departments or staff members with an interest in the bid, or who have been part of the Bid Evaluation Committee for the bid. The quorum is the chairperson and three members.
- (6) The minutes of the Bid Adjudication Committee meeting, as the sub-committee of the Management Committee will serve as the written report and will be required to be submitted to the Accounting Officer in terms of Section 5 (3) of the Supply Chain Management Regulations-
 - (a) If the Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must prior to awarding the bid –
 - (i) Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and
 - (ii) Notify the Accounting Officer for ratification purposes.
 - (b) The Accounting Officer may –

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- (i) After due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee referred to in (a); and
 - (ii) If the decision of the Bid Adjudication Committee is rejected, refer the decision of the Bid Adjudication Committee back to that committee for reconsideration.
- (7) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the Bid Evaluation Committee or the Bid Adjudication Committee back to that committee for reconsideration of the recommendation.
- (8) The Accounting Officer must comply with Section 114 of the Act within ten (10) working days in terms of notifying the required parties if a bid other than the one recommended is approved.

7. GENERAL CONDITIONS AND PROCEDURES

7.1 General Directives

- (1) The following general conditions and procedures contained in this document are applicable to all orders and contracts, unless otherwise approved by the Accounting Officer prior to the invitation of the bid.
- (2) Where applicable, special conditions or procedures are also laid down by the Accounting Officer to cover specific supplies or services.
- (3) Where such special conditions or procedures are in conflict with the general conditions and procedures, the special conditions or procedures shall apply.
- (4) The bidder shall satisfy himself/herself with the conditions and circumstances of the bid. By bidding, the bidder shall deem to have satisfied himself/herself as to all the conditions and circumstances of the bid.
- (5) Formal contracts are concluded with the contractors only where this requirement is stated in the bid invitation.
- (6) The written acceptance of the bid shall be faxed, e-mailed or posted to the bidder or contractor concerned.

7.2 Invitation of Bids

Invitations to bid indicate the conditions of purchase, preference point system to be used, specifications, delivery schedules, closing dates, contact person and other necessary information.

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- (1) Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred in the preparation and submission of bids on behalf of the bidder.
- (2) Unless approved by the Accounting Officer, notifications of bid invitations are published in the media as determined by this policy for at least fourteen (14) days from the date the advertisement is first placed. Proof of advertisement will be submitted in the bid report to the Bid Adjudication Committee.
- (3) The bid number must not appear on any envelope unless the envelope contains the bid itself.
- (4) The Municipality shall in the bid document indicate the preference point system to be applied in the adjudication of bids.
- (5) Mandatory Formalities

5.1. The Alfred Duma Municipality reserves the right to reject any bid received from Bidders if the formalities described in the Mandatory Formalities section hereunder are not complied with.

5.2. By submitting a bid for consideration to the Alfred Duma Municipality, the Bidder warrants that he/she/it consents and acknowledges this requirement and undertakes to ensure compliance with the Mandatory Formalities.

5.3. The Mandatory formalities include:

5.3.1 General Conditions of Contract:

Bidders are required to initial each page of the "General Conditions of Contract" section of the Bid document.

5.3.2 Special Conditions of Contract:

Bidders are required to initial each page of the "Special Conditions of Contract" section of the Bid document.

5.3.3 Specifications of Contract

Bidders are required to initial each page of the "Specifications of Contract" section of the Bid document.

5.3.4 Scope of Work

Bidders are required to initial each page of the "Scope of Work" section of the Bid document.

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5.3.5 Witness Signatures

Bidders are required to ensure that there are two witness signatures in all sections of the Bid document which requires the endorsement of a signature.

5.3.6 Alterations and Amendments

Bidders are required to ensure that all amendments or alterations in the Bid document are endorsed by the bidder.

(6) Mandatory Supporting Documentation

6.1 The Alfred Duma Municipality reserves the right to reject any bid received from Bidders if any of the Mandatory Supporting Documentation as described hereunder, as well as the provisions of the "Special Conditions of the Bid" section are not complied with.

6.2 By submitting a bid for consideration to the Alfred Duma Municipality, the Bidder warrants that he/she/it consents to, and acknowledges this requirement and undertakes to ensure compliance with this requirement of the Bid document.

6.3 The Mandatory Supporting documents are:

- (a) Original Valid Tax Clearance Certificate as issued by SARS (no certified copies are allowed).
- (b) Proof of registration as a VAT Vendor, as issued by SARS, where the annual turnover of the individual or entity submitting the bid is R1 000 000.00 (One million rand) or more per annum.
- (c) The specific Supporting documents referred to in the "Special Conditions of Contract" of the Bid document.
- (d) Certified copy of identity document of the person authorised to sign off on the tender document on behalf of the bidder.

Bidders are required to:

- (a) Make use of the Alfred Duma Municipality's official bid documents.
- (b) Insert bid prices and other required information in the appropriate spaces on the prescribed form.
- (c) Furnish all further information called for in the bid documents and to supply pamphlets, samples, etc., where required.
- (d) Submit an Original Tax Clearance Certificate. Failure to do so will invalidate the bid.
- (e) To complete a declaration that:

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- (i) The information provided is true and correct.
 - (ii) The signatory is duly authorised to sign the bid document.
 - (iii) Bids containing bidders own specified conditions may result in the bid being declared invalid if the bidder fails to renounce such conditions when called upon to do so.
- (7) The bid deposit, which is not refundable, must be paid in at the cashier of the Municipality on Line Item number: 11 115 9168.
 - (8) A fully explanatory site inspection, where applicable, must be conducted before the close of bids. This is to ensure that bidders understand the scope of the project and that they comply with the conditions and requirements.
 - (9) If applicable, attendance of this meeting will be compulsory and a site inspection attendance register must be completed and signed.
 - (10) Bids close at 11:00 on the closing date indicated in the bid documents.
Unless the Accounting Officer decides otherwise, bids must close at least two (2) weeks after the date of publication. The extension of the closing date may be granted only with the approval of the Accounting Officer upon recommendation of the Chief Financial Officer. This will only be considered if circumstances justify the extension. The closing date of the bid is normally extended only if there is sufficient time to publish an amending notification, before the original closing date.
 - (11) The bid shall remain valid for the number of the calendar days indicated in the bid documents and is calculated from the date and time of bid closure endorsed on the front cover of the bid document.
Should the bid validity expire on a Saturday, Sunday or a Public holiday, the bid shall remain valid and open for acceptance until the closure of business on the following working date.
 - (12) Bids shall be lodged not later than the closing time specified for their receipt at the address and in accordance with the directives in the bid documents.
Each bid shall be addressed in accordance with the directives in the bid documents and shall be lodged in a separate sealed envelope with the name and address of the bidder, the bid number and the closing date indicated on the envelope. The envelope shall not contain documents relating to any bid other than that shown on the envelope.
No submission of bids via telephone, telex, telegram, telefax or e-mail will be considered.
 - (13) Bids are late if they are received at the address indicated in the bid documents after the closing date and time. A late bid shall not be admitted for consideration

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and where practicable shall be returned unopened to the bidder accompanied by an explanation.

- (14) Bids are opened in public as soon as practicable after the closing date. Upon the bid closing time, the bid document box will be unlocked and opened by an official from the Supply Chain Management Unit, an official from the Internal Audit Unit and an official from the relevant Department (if present) in the presence of the bidders or other interested parties.

At the official opening of the bids, the names of the bidders and the amounts of the bids shall in each case be read out. In instances of bulk bid amounts which are too time consuming to read out, only those requested by bidders will be read, and a complete schedule provided as soon as is practical.

The bid shall be stamped with the official stamp of the Municipality and endorsed with the signatures of the person opening it and of the person in whose presence it was opened.

The Supply Chain Management Unit keeps the original bids and a summary list. The Supply Chain Manager will ensure that the bid document box is sealed until the time of the official opening, and that it is properly secured.

7.3 Consideration of Bids

- (1) The Municipality takes all bids that are duly submitted into consideration.
- (2) The Municipality reserves the right to accept or reject any bid.

2.1 Issues that may render a bid disqualified:

- (a) Failure by bidder to complete the pricing schedule.
- (b) Failure by a bidder to complete the Pre-qualification section (where there is a pre-qualification section in a bid document)
- (c) Failure to complete the various MBD forms as necessary.
- (d) Failure to complete the Bid declaration in with regard to equity.
- (e) Failure to attach required certifications/ proof of registration with an authoritative body (eg PSIRA, CIDB, NHBRC, ICASA etc)

2.2 Special requirements for bidders with principle business address in the boundary of Alfred Duma Municipality:

- (a) The Municipality reserves the right to disqualify any bidder who's rates,

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electricity and Municipal service charges are in arrears.

(b) Bidders are required to attach a copy of the most recent municipal rates and services account to the bid submission.

2.3 Compulsory Institution/ regulatory authority registration.

(a) Bidders are required to have a valid registration with the CIDB/ NHBRC/

PSIRA to be eligible for consideration in this contract.

(b) Proof of registration at date of submission of bid to be attached.

(c) Failure to attach proof of registration will render the bid document invalid.

(d) Failure to attach a current valid proof of registration will render the bid invalid.

(e) In the event that there are challenges with an entity's registration, or alternatively where an entity is currently in the process of being registered with the regulatory body or institution contemplated above, then a letter on the letter head of the regulatory body confirming that such registration will be forthcoming shall suffice for this purpose.

(f) Proof of application for registration will not suffice for the purposes of this clause.

2.4 Briefing Sessions

(a) In light of the Municipality's fiduciary duties in terms of the MFMA and in order to prevent fruitless and wasteful expenditure where service providers are not familiar with the scope of work at the time of submitting a bid, the Municipality requires all interested bidders to attend a compulsory briefing session for this contract.

(b) The briefing session is intended inter alia to allow the Municipality to clarify issues, explain the procurement policy applicable, the Supply Chain framework and address logistic and technical issues.

(c) Failure to attend a compulsory briefing session will entitle the Municipality to disqualify any bid submission received from a particular bidder.

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 (d) Bidders who wish to form a Joint Venture must note the "Joint Ventures" section of this contract.

- (3) The decision by the Municipality regarding the awarding of a contract shall be final and binding.
- (4) Where a contract has been awarded on the basis of information which, after the conclusion of the relevant agreement, is proved to have been incorrect, the Municipality may, in addition to any other legal remedy it may :
 - (a) Recover all costs, losses or damages it has incurred or suffered as a result of the award of the contract.
 - (b) Cancel the contract and claim any damages which it has suffered as a result of having to make less favourable arrangements due to such cancellations.
 - (c) Impose a financial penalty more severe than the theoretical financial preference associated with the claim which was made in the bid.
 - (d) Restrict the contractor, its shareholders and directors from obtaining business from the Municipality for a period not exceeding ten (10) years.
- (5) The Municipality will adjudicate acceptable bids using the BBBEE Balanced Scorecard preference point system which awards points on the basis of:
 - (a) The bid price, and
 - (b) Meeting specific goals.

The Municipality will normally award the contract to the bidder obtaining the highest score, but will not bind itself to do so.

5.1 Broad Based Black Economic Empowerment Accreditation

- (a) Bidders who wish to claim points in respect of equity must attach the necessary certification as provided by a SANAS accredited institution.
- (b) Failure to provide such certification will not render the bid submission as invalid, however the bidder in question will not be granted the points claimed.
- (c) Certificates provided by non-accredited assessors will not be considered. This will not render the bid in question invalid, but the bidder in question will not be grant the points claimed.

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- (6) Only a bidder who has completed and signed the declaration part of the bid documentation may be considered for preference points.
- (7) The Municipality may, before a bid is adjudicated or at any time, require a bidder to substantiate claims he/she has made with regard to preference.
- (8) In the event that different prices are tendered for different periods of a contract, the price for each period must be regarded as a firm price if it conforms to the definition of a "firm price".
- (9) Points scored will be rounded off to the nearest two (2) decimals.
- (10) In the event that two or more bids have scored equal total points, the successful bid must be the one scoring the highest number of preference points for specified goals. Should two or more bids be equal in all respects, the award shall be decided by the drawing of lots.
- (11) The preference points in respect of equity ownership will be equated to the percentage of an enterprise or business owned by individuals or, in respect of a company, the percentage of a company's shares that are owned by individuals, who are actively involved in the management of the enterprise or business and, exercise control over the enterprise, commensurate with their degree of ownership at the closing date of the bid.
- (12) Where the percentage of ownership contemplated in paragraph 4.7 changes after the closing date of the bid, the bidder must immediately notify the Municipality so that preference points can be adjusted accordingly.
- (13) Preference points may not be claimed in respect of individuals who are not actively involved in the management of an enterprise or business and who do not exercise control over an enterprise or business commensurate with their degree of ownership.
- (14) All claims made for equity ownership will be considered according to the following criteria:
 - (a) Equity within private companies must be based on the percentage of equity ownership.
 - (b) Preference points must not be awarded to public companies and tertiary institutions.
 - (c) Equity claims for a Trust shall not be allowed in respect of those persons who are both trustees and beneficiaries and who are actively involved in the management of the Trust.

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- (d) Documentation to substantiate the validity of the credentials of the trustees contemplated in paragraph (c) shall be submitted to the Municipality.
 - (o) A Consortium or Joint Venture shall, based on the percentage of the contract value managed or executed by their black members, be entitled to equity ownership.

(15) Joint Ventures

Joint ventures means the joint venture formed by:

- (a) Parties wishing to form joint ventures are at liberty to do so.
- (b) All parties to the joint venture must be present and duly represented by a staff member at a compulsory briefing session.
- (c) The Municipality will be entitled to disqualify any bid submission by a Joint Venture where it is established that any party to the joint venture was not duly represented at a compulsory briefing session.
- (d) All parties to a joint venture must each supply the necessary mandatory documents as articulated in the special conditions of bid section. (this includes but is not limited to.
- (e) Each party of the joint venture must provide a resolution from their respective entity indicating that their respective entity is duly authorised to enter into the joint venture.
- (f) The resolution contemplated above must also indicate the name, identity number and capacity of the person/ s with signing authority on behalf of the joint venture.

(15). 1 Joint Venture Agreements must contain the following information:

- (a) The name, physical address, communication addresses and domicillium citandi et executandi of each Member of the Joint Venture.
- (b) A schedule of insurance policies which must be taken out by the Joint Venture and by the individual Members.
- (c) A schedule of sureties, indemnities and guarantees that must be furnished by the Joint Venture and by the individual Members.
- (d) The working capital required by the Joint Venture and the extent to which and manner whereby this will be provided and/or guaranteed by the individual Members from time to time.

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- (e) The banking accounts that are to be opened in the name of the Joint Venture and the manner in which these are to be operated.
 - (f) The names of the auditors and others, if any, who will provide auditing and accounting services to the Joint Venture.
- (16) A person awarded a contract as a result of preference for contracting with, or providing equity ownership, shall not sub-contract more than 25% of the value of the contract to a person who is not Black or does not qualify for such preference.

Bidders submitting two or more offers without declaring their interest will be disqualified.

- (17) A person awarded a contract of an amount greater than or equal to R3 000,000 (Three Million Rand) must subcontract at least 20% of the contract to local contractors.

7.4 Administration of Contracts

7.4.1 Settlement of Disputes

Should any dispute arise between a bidder/supplier and the Municipality with regard to the interpretation of the conditions of a bid, contract or order, the decision of the Municipality shall be final, but execution of a contract or order shall not be delayed pending such decision.

7.4.2 Orders

Supplies shall be delivered and services rendered only upon a written official order from the Municipality, and accounts shall be rendered as indicated on the official order or in the contract, as the case may be.

7.4.3 Packing, Packing Material and Containers

The contractor/supplier is responsible for packing supplies at his/her own cost and in such a manner so as to ensure that there is no loss or damage in transit.

Where provision is expressly made in a contract for the return of packing material or containers, such packing material or containers shall be returned at the contractor's expense.

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7.4.4 Guarantee

Unless the contract stipulates otherwise, the contractor shall guarantee for a period of twelve (12) months that no faulty material or workmanship was used in the manufacture of goods or in the execution of services and that the finished product is not defective. Should the guarantee not be complied with, the Municipality may,

without prejudice to any other rights it may have, demand that the supplies are replaced and the services are repaired without cost to the Municipality.

7.4.5 Payment for Supplies and Services

Subject to any instructions issued with a contract or order, a contractor shall be paid for supplies delivered and services rendered in accordance with the following provisions:

- (a) On the basis of delivery into store or to another nominated destination, only after receipt of a detailed account and after delivery has been effected.
- (b) On the basis of delivered and erected, installed, etc., only after receipt of a detailed account supported by a certificate of satisfactory execution issued by a Municipality agent.
- (c) Payment will normally be effected within thirty (30) days after receipt of statement and required documentation, which should be correct in every respect. Should a contractor indicate a special discount on his/her account provided payment is made within a certain time, every effort shall be made to take advantage of such discount.
- (d) As a rule, payment is made to the contractor only. When payment is claimed by another party, the latter must produce a written transfer, power of attorney or authorisation and, before payment is made, the contractor must confirm that the transfer, power of attorney or authorisation has been given by him/her and that payment may be claimed in terms thereof.

7.4.6 Management of Expansion or Variation Orders against the Original Contract

Contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract.

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7.4.7 Cession of Contract

All Cession of Contracts must be in line with Council's Cession Policy which was adopted.

7.4.8 Remedies in the case of Death, Sequestration, Liquidation or Judicial Management

In the event of the death of a contractor or the provision or final sequestration of his/her estate or of his/her cession or transfer of a contract without the approval of the Municipality or of the surrender of his/her estate or of his/her reaching a compromise with his/her creditors or of the provisional or final liquidation of a contractor's company or the placing of its affairs under judicial management, the Municipality may, without prejudice to any other rights it may have, exercise any of the following:

- (a) Cancel the contract and accept any of the bids, which were submitted originally with that of the contractor or any offer subsequently received to complete the contract. In such a case, the estate of the contractor shall not be relieved from liability for any claim which has risen or may arise against the contractor in respect of supplies not delivered or work not carried out by him/her under the contract, and the Municipality shall have the right to hold and retain all or any of the securities and retention monies held by it at the date of the aforesaid occurrences until such claim has been satisfied; or
- (b) Allow the executor, trustee, liquidator or judicial manager, as the case may be, for and on behalf of and at the cost and expenses of the estate of the contractor to carry on with and complete the contract.

7.4.9 Contractor's Liability

In the event of the contract being cancelled by the Municipality in the exercise of its rights in terms of these conditions, the contractor shall be liable to pay to the Municipality any losses sustained and/or additional costs or expenditure incurred as a result of such cancellation. The Municipality shall have the right to recover such losses, damages or additional costs by means of set-off from monies due or which may become due in terms of the contract or any other contract, or from a guarantee provided for the due fulfilment of the contract and, until such time as the amount of such losses, damages or additional costs have been determined, to retain such monies or guarantee

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or any deposit as security for any loss which the Municipality may suffer or have suffered.

The contractor may be held responsible for any consequential damages and loss sustained which may be caused by any defect, latent or otherwise, in the supply or

service rendered or if the supply or service as a result of such defect, latent, otherwise, does not conform to any condition or requirement of the contract.

7.4.10 Transfer of Contracts

The contractor shall not abandon, transfer, assign or sublet a contract or part thereof without the written permission of the Municipality.

8. DISPOSAL MANAGEMENT

8.1 Disposal and Letting of the Municipality's Assets

- (1) The Accounting Officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to Sections 14 and 90 of the Act.

The disposal of assets must –

- (a) Be by one of the following methods –

- (i) Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- (ii) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- (iii) Selling the asset; or
- (iv) Destroying the asset;

- (b) Provided that –

- (i) Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (ii) Movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;

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- (iii) In the case of the free disposal of computer equipment, the provincial Department of Education must first be approached to indicate within thirty (30) days whether any of the local schools are interested in the equipment; and
- (iv) In the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;
- (v) Furthermore, ensure that –
 - (i) Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and
 - (ii) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and
- (c) Ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

8.2 Evaluation of Offers/Bids for Disposal and Letting of Assets

The same procedures for disposal and letting of assets apply as for procurement under this policy, including application of the Preferential Procurement Policy Framework Act and the Supply Chain Management Regulations.

Bids for assets with a value less than R30 000 will be evaluated by the Supply Chain Management Unit in conjunction with the relevant department and adjudicated by the MCM. The municipality reserves the right not to accept any bids offered.

When land and buildings are to be sold at market value, a registered valuator will determine the market value. Sale of assets through competitive bidding or auction will follow the same communication process prescribed for bids. In addition, advice will be given about where prospective buyers/bidders may view the assets and any notification of auction will advise the date, time and venue of the auction.

Disposal and letting of assets with a value above R30 000 to R1 000 000 will be evaluated and adjudicated on in accordance with this policy. Preference points will be allocated as follows:

	POINTS
Price	80
Specified Goals	<u>20</u>
Total	<u>100</u>

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The following formula will be used to calculate the points for price in respect of competitive bids with a Rand value above R30 000 to R1 000 000.

$$P_s = 80 \left(1 + \frac{P_t - P_h}{P_h} \right)$$

Where

P_s = Points scored for price of bid under consideration

P_t = Rand value of bid under consideration

P_h = Rand value of highest acceptable bid

The points allocated for Specified Goals are in accordance with Council's Procurement Policy and are detailed in Section 4.7.1 of this Policy.

Disposal and letting of assets with a value above R1 000 000 will be evaluated and adjudicated on in accordance with this policy. Preference points will be allocated as follows:

POINTS

Price	90
Specified Goals	<u>10</u>
Total	<u>100</u>

The following formula will be used to calculate the points for price in respect of competitive bids with a Rand value above R1 000 000.

$$P_s = 90 \left(1 + \frac{P_t - P_h}{P_h} \right)$$

Where

P_s = Points scored for price of bid under consideration

P_t = Rand value of bid under consideration

P_h = Rand value of highest acceptable bid

The points allocated for Specified Goals are in accordance with Council's Procurement Policy and are detailed in Section 4.7.2 of this Policy.

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9. SPECIALISED PROCUREMENT

9.1 Annual Supply Contracts

In the case of materials and goods which are required on a continuous basis throughout the year, annual bids are invited each year to cater for the needs for the following year. Bids for Annual Supply Contracts should generally be restricted to requirements for bulk supplies, and not used for day-to-day requirements. The Accounting Officer may prescribe restrictions on the use of Annual Supply Contracts for procurement.

Schedules of items are to be compiled by the appropriate Specification Committee in conjunction with the Executive Director and provided to the Supply Chain Manager by 01 April each year. Once the schedules of items have been received, they will follow the usual bid process for evaluation and award.

9.1.1 Panel of Service Providers

Appointments will be done on a rotational basis from the panel of service providers OR service providers on the panel will be requested to quote.

9.2 Procurement of Banking Services

Banking services are to be procured through competitive bids for a period of not more than five (5) years and must be consistent with Sections 7 or 85 of the Act. Bids will be restricted to banks registered in terms of the Banks Act, 1990. (Act No. 94 of 1990).

The process for procuring a contract for banking services will commence at least nine (9) months before the end of an existing contract. The request for bids will be in accordance with Section 4.5 of this policy but the closure date for submission will be at least sixty (60) days from the date the advertisement is placed.

9.3 Procurement of IT related Goods and Services

The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to SITA.

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The Accounting Officer must notify SITA together with a motivation of the IT needs if –

- (a) The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
- (b) The transaction value of a contract to be procured, whether for one or more years, exceeds R50 million (VAT included).

If SITA comments on the submission, and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the Council, the National Treasury, the relevant Provincial Treasury and the Auditor-General.

9.4 Procurement under Contracts by Other Organs of State

Goods or services may be procured under a contract secured by another organ of state provided:

- (a) The contract was secured by a competitive bidding process and the municipality has no reason to believe the contract was not validly procured.
- (b) There are demonstrable discounts or benefits to the municipality.
- (c) The organ of state and the provider have consented to the procurement in writing.

9.5 Procurement of Goods requiring Special Safety Arrangements

Procurement for goods that require special safety arrangements such as gasses and fuel should be restricted to minimum requirements for the municipality. Storage of such goods will be justified on sound reasons including the total cost of ownership and cost advantages to the municipality, as well as the environmental impact and must be approved by the Accounting Officer.

9.6 Appointment of Consultants

Consultants should be appointed by means of a competitive bidding process and must take into account any National Treasury guidelines. If the consultant's contract exceeds R200 000 (VAT included) or the duration period exceeds one (1) year, it must be procured through competitive bids.

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Bidders must provide particulars of all consultancy services provided to an organ of state in the last five (5) years, or any similar consultancy services provided to an organ of state in the last five (5) years.

The Accounting Officer will ensure that copyright, in any document produced, patent rights or ownership in any plant, machinery, thing, system or process designed or devised by a consultant in the course of the consultancy service is vested in the municipality.

The appointment of consultants must also be in line with Council's Appointment of Consultants Policy which was adopted on 26 June 2014 (LC51/06/2014).

Consultants must be in line with Circular No. 80 of the MFMA issued by the National Treasury in April 2016.

9.7 Leasing of Property, Plant and Equipment

The process to be followed when procuring for Municipal requirements in terms of external leasing of property, plant and equipment is the same as is required for procurement of goods and services detailed in Section 4 of this policy.

10. OBJECTIONS AND COMPLAINTS

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within fourteen (14) days of the decision or action, a written objection or complaint against the decision or action.

- (a) if the objection or complaint is against the procurement process, submit a written objection or complaint against the decision or action to the Accounting Officer of the municipality who shall, in turn, within twenty four (24) hours refer the written objection or complaint to the independent and impartial person referred to in paragraph 50 of the resolution.
- (b) if such complaint or objection is against the award of a bid, the Accounting Officer must refer the matter to the Municipal Bid Appeals Committee. The committee must then convene within a period of seven (7) days.
- (c) if the matter is not resolved by the Municipal Bid Appeals Committee the matter can be referred to the Municipal Appeal Tribunal.

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- (d) any responses requested from the bidder pertaining to any objection must be received by the municipality within five (5) working days.
 - (e) any information that is requested and not already accessible to the public, must comply with PAIA.

10.1 Resolution of Objections and Complaints Against Procurement Processes

- (1) The Accounting Officer must appoint an independent and impartial person, not directly involved in the Supply Chain Management processes to assist in the resolution of objections and complaints between the municipality and any other person regarding –
 - (a) the implementation of the procurement process in terms of the Supply Chain Management system; or
 - (b) any matter arising from the implementation of the procurement process in terms of the Supply Chain Management system.
- (2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must –
 - (a) Strive to resolve promptly all objections or complaints received; and
 - (b) Submit monthly reports to the Accounting Officer on all such objections and complaints received, attended to or resolved.
- (4) If the independent and impartial person referred to in paragraph 10.2 (1), is of the view that a matter which should be dealt with in terms of paragraph 50.A, he or she shall forthwith refer the matter to the Municipal Bid Appeals Tribunal and that Tribunal shall then hear and determine the matter in accordance with the provisions of paragraph 50.A.
- (5) An objection or complaint may be referred to the Kwazulu-Natal Provincial Treasury if:
 - (a) The dispute, objection, complaint or query is not resolved within sixty (60) days; or
 - (b) No response is forthcoming within sixty (60) days.

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- (6) If the Provincial Treasury does not or cannot resolve the matter, the objection or complaint may be referred to the National Treasury for resolution.

10.2 Municipal Bid Appeals Tribunal

1. The Council shall establish a Municipal bid appeals Tribunal for its area of jurisdiction to hear and determine an appeal against the award of a bid.
2. The Accounting Officer of the municipality, in consultation with the Provincial Treasury, shall appoint the Chairperson, Deputy Chairperson and Members of the Municipal Bid Appeals Tribunal.
3. The powers, duties and functions of the Municipal Bid Appeals Tribunal, and matters incidental thereto, are set out in the Rules which are appended to this Supply Chain Management Policy and marked **Appendix A**.
4. The administrative and secretarial work involved in the performance of the duties and functions of the Municipal Bid Appeals Tribunal shall be performed

by officers of the Provincial Treasury as set out in the Rules referred to in paragraph 50.A (3).
5. There shall be not further appeal against a decision of the Municipal Bid Appeals Tribunal.

11. BID DOCUMENTATION

All bid documentation must include the following:

- (1) The requirement for bids to be submitted in Rands.
- (2) The requirement for bidder's to furnish their tax reference number, VAT registration number and their identification or company registration number.
- (3) For procurement in excess of R30 000, provide an indication from SARS that the bidders tax matters are in order.
- (4) Require the bidder to disclose if the bidder or their family has any declared interest in terms of Section 20 (f) of the Supply Chain Management Regulations.
- (5) The requirement for site meetings or briefing session.

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- (6) Evaluation and adjudication criteria including any criteria stated in the Preferential Procurement Policy Framework Act and Supply Chain Management Regulations.
- (7) Screening processes and security clearance procedures for contractors on bids above R1 000 000.
- (8) Where the value of the transaction is expected to exceed R10 million, furnish the documents and information required by Section 20 (g) of the Supply Chain Management Regulations.
- (9) The requirement for compulsory disclosure of any conflict of interest a prospective contractor may have and the exclusion of that contractor from those bids.
- (10) The requirement for exclusion of persons under Section 112 (1) (f) of the MFMA, including those persons convicted of fraud or corruption, who have failed to honour a government contract, or whose tax matters have not been cleared by the South African Revenue Service.
- (11) Stipulate that disputes will be settled by means of mutual consultation, mediation (with or without legal representation) or when unsuccessful, in a South African court of law.
- (12) Contract management processes and procedures including provision for the Accounting Officer to cancel the contract for unsatisfactory performance.
- (13) Other matters and documentation as may be required by the Municipal Financial Management Act, The Supply Chain Management Regulations, the Municipality's Supply Chain Management Policy and procedures for Supply Chain Management and any National Treasury Supply Chain Management Guidelines.
- (14) General conditions of contract.
- (15) The requirements of the Construction Industry Development Board in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.

11.1 Mandatory Formalities

The Alfred Duma Municipality reserves the right to reject any bid received from Bidders if the formalities described in the Mandatory Formalities Section under the General Conditions of Bid Section are not complied with.

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By submitting a bid for consideration by the Alfred Duma Municipality, the Bidder warrants that the bidder consents and acknowledges this requirement and undertakes to ensure compliance with this provision.

The Mandatory formalities include:

1.1. General Conditions of Contract:

Bidders are required to initial each page of the General conditions section of the bid document.

1.2. Special Conditions of Contract:

Bidders are required to initial each page of the Special conditions section of the bid document.

1.3. Specifications of Contract

Bidders are required to initial each page of the Specifications of Contract section of the bid document.

1.4. Witness Signatures

Bidders are required to ensure that there are two witness signatures in all sections requiring the endorsement of a signature.

1.5. Alterations and Amendments

Bidders are required to ensure that all amendments and/alterations are endorsed by the bidder. Any responsive bidder may be called in to complete omitted information, provided the information omitted does not have a direct impact on the pricing and BEE status, based on the discretion of the Accounting Officer.

11.2 Mandatory Supporting Documentation

The Alfred Duma Municipality reserves the right to reject any bid received from Bidders if any of the Mandatory Supporting Documentation Section as under the General Conditions of Bid Section, and read together with the provisions of the Special Conditions Section are not complied with.

By submitting a bid for consideration by the Alfred Duma Municipality, The Bidder warrants that the bidder consents and acknowledges this requirement and undertakes to ensure compliance with this provision.

The Mandatory Supporting documents are:

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(1) A Valid Tax Clearance Certificate

The Supply Chain Management (SCM) unit must verify with South African Revenue Service (SARS) that the bidders Tax matters are in order by calling the SARS help line, and all case numbers must be documented.

(2) Proof of registration as a VAT Vendor

(3) The specific Supporting Documents referred to in the Special Conditions of the Bid Section

11.3 Vat Vendor Registration

The Alfred Duma Municipality will only award tenders and contracts to individuals and/or entities that are registered as VAT vendors in terms of Section 23 of the VAT Registration Act.

The Alfred Duma Municipality reserves the right to reject any bid tendered by an individual/entity that is not registered as a VAT vendor as described above.

Proof of registration as a VAT vendor forms part of the essential documentation for purposes submitting bids.

11.4 Local Production and Content

Bids must be advertised with a specific condition that only locally produced goods, works or services or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered. The Municipal Bidding Documents (MBD 6.2) 'Declaration Certificate for Local Production and Content for Designated Sectors' for the following sectors that have been designated:

Textile clothing, leather and footwear;

Buses (bus body);

Steel power pylons;

Canned / processed vegetables;

Rail rolling stock;

Set top boxes;

Furniture; and

Electrical and telecom cable products.

Where necessary, for bids referred to in paragraph above, a two stage bidding process may be followed, where the first stage involves a minimum threshold for local

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production and content and the second stage evaluation on Price and B-BBEE.

A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold. The Accounting officer must procure any requirements, relating to the above mentioned designated sectors, in accordance with National Treasury's directives and MBD 6.2.

12. CONTRACT MANAGEMENT

Once the Bid Adjudication Committee has awarded a contract, the responsibility for managing that contract rests with the Department who initiated the need for that contract. Each department will develop and review the necessary performance management systems, including appropriate record keeping to ensure contracts are managed in an effective and efficient manner. The appropriate department will manage contracts which procure goods or services for more than one department.

The provision for cancellation of a contract for unsatisfactory performance and the appropriate mechanisms to undertake the cancellation will be included in the relevant contract documentation.

The Accounting Officer will cancel a contract awarded to a person if:

- (a) That person committed any corrupt or fraudulent act during the bidding process or the execution of the contract.
- (b) An official or any other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person.

12.1 Amendments of Contract

Proposed amendments in terms of Section 116 (3) will be advertised on the municipal website and notice boards for a period of fourteen (14) days.

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13. TRAINING OF OFFICIALS

The municipality will provide resources or opportunities for the Accounting Officer and all other relevant officials involved in the implementation of this policy to undertake training to meet the competency levels required under the Act in the form of the SAQA Level 6 Module in Supply Chain Management which forms part of the Certificate in Municipal Financial Management. Officials will comply with these competency standards from 1 July 2006 or a later date as determined by National Treasury.

14. PREVENTING SUPPLY CHAIN MANAGEMENT ABUSE

The Accounting Officer will take all reasonable steps to prevent abuse of the Supply Chain Management System, investigate any reasonable allegations of abuse or failure to comply with this system, and when justified take appropriate action against officials or other role players.

No provider or prospective provider of goods or services to the municipality, or recipient or prospective recipient may directly or indirectly offer or grant any reward, gift, favour or hospitality to any official or other role player involved in the implementation of the Supply Chain Management Policy. The Accounting Officer will report any alleged contraventions to National Treasury for consideration of inclusion in their database of persons prohibited from doing business with government.

15. DELEGATIONS AND PRESCRIPTIONS

The Council hereby delegates such additional powers and duties to the Accounting Officer so as to enable the Accounting Officer to—

- (a) Discharge the supply chain management responsibilities conferred in terms of:
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) The supply chain management policy.
- (c) Maximise administrative and operational efficiency in the implementation of the supply chain management policy;

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- (c) Enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation
- (d) Comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act.

The Accounting Officer is responsible for ensuring that this policy is implemented and enforced.

The Council or Accounting Officer may not delegate or sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee, which is not exclusively composed of officials of the municipality.

The Accounting Officer will provide written delegated authority to the Bid Adjudication Committee to award bids to the value of R1 000 000. Above this value, the Accounting Officer will award bids following consideration of the Bid Adjudication Committees recommendations.

15.1. Sub delegation

(1) The Accounting Officer may, in terms of Section 79 or 106 of the Act subdelegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such subdelegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

- (2) The power to make a final award –
 - (a) Above R10 million (VAT included) may not be subdelegated by the Accounting Officer;
 - (b) Above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
 - (i) The Chief Financial Officer;
 - (ii) A Senior Manager; or
 - (iii) A Bid Adjudication Committee of which the Chief Financial Officer or a Senior Manager is a member; or
 - (d) Not exceeding R2 million (VAT included) may be subdelegated but only to –
 - (i) The Chief Financial Officer;

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- (ii) A Senior Manager;
 - (iii) A Manager directly accountable to the Chief Financial Officer or a Senior Manager; or
 - (iv) A Bid Adjudication Committee.
- (3) An official or Bid Adjudication Committee to which the power to make final awards has been sub delegated in accordance with sub paragraph (2) must
- within five (5) days of the end of each month submit to the official referred to in sub paragraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
- (a) The amount of the award;
 - (b) The name of the person to whom the award was made; and
 - (c) The reason why the award was made to that person.
- (4) A written report referred to in sub paragraph (3) must be submitted –
- (a) To the Accounting Officer, in the case of an award by –
 - (i) The Chief Financial Officer;
 - (ii) A Senior Manager; or
 - (iii) A Bid Adjudication Committee of which the Chief Financial Officer or a Senior Manager is a member; or
 - (b) The Chief Financial Officer or the Senior Manager responsible for the relevant bid, in the case of an award by –
 - (i) A Manager referred to in subparagraph (2)(c)(iii); or
 - (ii) A Bid Adjudication Committee of which the Chief Financial Officer or a Senior Manager is not a member.
- (5) Sub paragraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in Section 6 of this Policy.

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- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Where the procurement will have future budgetary implications, Section 33 of the MFMA regarding contracts will be complied with. Following Council adoption of this policy, Section 33 (1) will not apply to contracts valued at below R200 000 per annum or to Contracts for the following:

- (1) Radio or vehicles licences;
- (2) The aerodrome licence; and
- (3) Grass cutting & maintenance of the Klip River.

16. REPORTING

16.1 Petty Cash

Within ten (10) days of the end of the month, each Executive Director will provide to the Chief Financial Officer a reconciliation of all petty cash purchases which includes the total amount of petty cash purchases for the month and receipts and appropriate documents for each purchase.

16.2 Quarterly Reporting

Within ten (10) days of the end of the quarter, the Chief Financial Officer will submit a report to the Accounting Officer with the list of procurements where three (3) quotations were not obtained together with the appropriate explanation.

Within ten (10) days of the end of the quarter, the Accounting Officer will submit a report to the Mayor on the implementation of the Supply Chain Management Policy. This report will be made public by notification in a locally distributed newspaper, placed on the municipality's website, and displayed on the municipality's public notice board.

16.3 Annual Reporting

Within sixty (60) days of the end of the financial year, the Accounting Officer will submit a report to Provincial Treasury regarding the municipality's Supply Chain Management in a format to be determined by National Treasury.

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16.4 Other Reporting

Goods or services procured under Section 110 (2) of the Act from another organ of state to which this policy does not apply will be made public as part of the annual budget or a separate process. The publication notification will include the kind of goods or services and the name of the supplier.

Where there has been a deviation from the requirement for inviting competitive bids, the Accounting Officer will report the reasons at the next Council meeting, and include as a note to the Annual Financial Statements.

17. LOGISTICS, RISK AND PERFORMANCE MANAGEMENT

17.1 Logistics Management

The Accounting Officer will establish an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration.

17.2 Risk Management

- (1) The Accounting Officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the Supply Chain Management system.
- (2) Risk management must include –
 - (a) The identification of risks on a case-by-case basis;
 - (b) The allocation of risks to the party best suited to manage such risk;
 - (c) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) The management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - (e) The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

17.3 Performance Management

The Accounting Officer must establish an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply

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chain management processes were followed and whether the desired objectives were achieved.

18. OTHER MATTERS

18.1 Prohibition on Awards to Persons whose Tax Matters are not in Order

- (1) The Accounting Officer will ensure that, irrespective of the procurement process followed, no award above R30 000 is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a person, the Department of Finance must first check with SARS whether that person's tax matters are in order.
- (3) If SARS does not respond within seven (7) days, such person's tax matters may for purposes of sub paragraph (1) be presumed to be in order.

18.2 Prohibition on Awards to Persons in the Service of the State

The Accounting Officer must ensure that irrespective of the procurement process followed, no award may be given to a person –

- (a) Who is in the service of the state; or
- (b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) A person who is an advisor or consultant contracted with the municipality.

18.3 Awards to close Family Members of Persons in the Service of the State

The notes to the annual financial statements must disclose particulars of any award or more than R10 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve (12) months, including –

- (a) The name of that person;
- (b) The capacity in which that person is in the service of the state; and
- (c) The amount of the award.

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18.4 Ethical Standards

- (1) A code of ethical standards is hereby established, in accordance with sub paragraph (2), for officials and other role players in the supply chain management system in order to promote –
 - (a) Mutual trust and respect; and
 - (b) An environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) An official or other role player involved in the implementation of the supply chain management policy –
 - (a) Must treat all providers and potential providers equitably;
 - (b) May not knowingly understate or split a procurement requisition with the intention of avoiding a more stringent procurement process
 - (c) May not use his or her position for private gain or to improperly benefit another person;
 - (d) May not accept any reward, gift, favour, hospitality, or another benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350,00;
 - (e) Notwithstanding sub paragraph (2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (f) Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by the municipality;
 - (g) Must immediately withdraw from participating in any matter whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (h) Must be scrupulous in his or her use of property belonging to the municipality;
 - (i) Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

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- (j) Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) Any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) Any alleged contravention of paragraph 15.5 (1) of this policy; or
 - (iii) Any alleged breach of this code of ethical standards.
- (3) Declarations in terms of sub paragraphs (2)(d) and (e) –
 - (a) Must be recorded in a register which the Accounting Officer must keep for this purpose;
 - (b) By the Accounting Officer must be made to the Mayor of the municipality who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.
- (5) It is recommended that the municipality adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality.
- (6) A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation".
- (7) A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Municipal Systems Act.

18.5 Inducements, Rewards, Gifts and Favours to Municipalities, Officials and other Role Players

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant
 - (a) Any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) Any reward, gift, favour or hospitality to –
 - (i) Any official; or
 - (ii) Any other role player.

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- (2) The Accounting Officer must promptly report any alleged contravention of sub paragraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Sub paragraph (1) does not apply to gifts less than R350 in value.

18.6 Sponsorships

The Accounting Officer must promptly disclose to the National Treasury and the relevant Provincial Treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- (a) A provider or prospective provider of goods or services; or
- (b) A recipient or prospective recipient of goods disposed or to be disposed.

18.7 Objections and Complaints

Any persons aggrieved by decisions or actions taken by the municipality in the implementation of its supply chain management system, may lodge within fourteen (14) days of the decision or action a written objection or complaint to the municipality against the decision or action.

18.8 Contracts providing for Compensation based on Turnover

Where a service provider acts on behalf of the municipality as a distributor of grants or collector or service charges or taxes, and the compensation payable is an agreed percentage of the distribution or collection, then the contract between the provider and the municipality must stipulate that:

- (a) The compensation must be performance based;
- (b) Changes in the turnover as a result of changes in the amount of the grant or service charge/tax must be disregarded in determining the compensation.

19. POLICY PROCEDURES AND REVIEW

This policy will be reviewed annually as part of the review of budget-related policies. The Accounting Officer will promptly develop procedures to support the implementation, management and monitoring of this policy including methods for effective risk management and performance management in accordance with Sections 41 and 42 of the Framework for Supply Chain Management Policies respectively.

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20. OVERSIGHT ROLE OF COUNCIL

- (1) The Council must maintain oversight over the implementation of the Supply Chain Management Policy.
- (2) For the purpose of such oversight, the Accounting Officer must –
 - (a) Within thirty (30) days of the end of each financial year, submit a report on the implementation of the Supply Chain Management policy of the municipality, to the Council of the municipality,
 - (b) Whenever there are serious and material problems in the implementation of the Supply Chain Management policy, immediately submit a report to the Council.
- (3) The Accounting Officer must, within ten (10) days of the end of each quarter, submit a report on the implementation of the Supply Chain Management Policy to the Mayor.
- (4) The reports must be made public in accordance with Section 21A of the Municipal Systems Act.

21. BY-LAWS

The Council will publish the appropriate by-laws necessary to give effect to the Supply Chain Management Policy.

22. ADOPTION OF THE SUPPLY CHAIN MANAGEMENT POLICY

The Supply Chain Management Policy was adopted by Council on 27 October 2005 and reviewed on 31 March 2017.

ALFRED OUMA LOCAL MUNICIPALITY 2019/2020 SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP)

[illegible]

1848

[illegible]

2018/2019	To ensure provision of adequate housing to the deserving beneficiaries	Plans and support the escalation of sustainable human settlements	To construct and repair 80 houses by 30 June 2020	Number	To construct and repair 80 houses by 30 June 2020	R 48 000 000.00	20 houses to be repaired and Rebuilt by 30 September 2019	40 houses to be repaired and Rebuilt by 31 December 2019	60 houses to be repaired and Rebuilt by 31 March 2020	80 houses to be repaired and Rebuilt by 30 June 2020	Happy Island8 Forms	Development Planning and Human Settlements	N/A	N/A	9,10,20,21,22
2019/2020			Construction of new houses in Unbuilt Area H Housing ward by 30 June 2019	Number	To construct 80 new houses by 30 June 2019	R63 000 00.00	Construction of 20 New Houses by 30 September 2019	Construction of 40 New Houses by 31 December 2019	Construction of 60 New Houses by 31 March 2020	Construction of 80 New Houses by 30 June 2020	D6 Form	Development Planning and Human Settlements	N/A	N/A	9
2018/2021			Quarterly collection rate of 80% to maintain revenue generation	Percentage	Quarterly collection rate of 80% to maintain revenue generation	N/A	80% collection rate and maintain revenue generated by 31 September 2019	80% collection rate and maintain revenue generated by 31 December 2019	80% collection rate and maintain revenue generated by 31 March 2020	80% collection rate and maintain revenue generated by 30 June 2020	AG Action Plan, Action list and Reports	All Head of Departments	N/A	N/A	N/A
2019/2022			Award to 100% of all finance queries raised by the auditor general by 30 June 2020	Percentage	100% of all finance queries to be dealt with as per AG action Plan by 30 June 2020	R 127 846 863.00	100% audit queries dealt with as per AG plan by 30 September 2019	100% Audit queries dealt with as per AG plan by 31 December 2019	100% Audit queries dealt with as per AG plan by 31 March 2020	100% Audit queries dealt with as per AG plan by 30 June 2020	AG Action Plan, Action list and Reports	All Head of Departments	N/A	N/A	N/A
2019/2023			Ensuring 100% of the municipality's capital budget is spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	Percentage	100% of municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	R 99 849 000.00	25% of municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 September 2019	50% of municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 31 December 2019	75% of municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 31 March 2020	100% of municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	Annual Financial Statements	Finance	N/A	N/A	N/A
2019/2024			The percentage of a MIG budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	Percentage	100% of MIG budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	R 14 698 000.00	25% of MIG budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 September 2019	50% of MIG budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 31 December 2019	75% of MIG budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 31 March 2020	100% of MIG budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	Section 71 reports	Finance	N/A	N/A	N/A
2019/2025	Improve financial viability of municipality	To ensure minimisation of revenue generation	Ensuring 100% of INEP budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	Percentage	100% of INEP budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	R 83 881 584.00	25% of INEP budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 September 2019	60% of INEP budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 31 December 2019	75% of INEP budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 31 March 2020	100% of INEP budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	Section 71 reports	Finance	N/A	N/A	N/A
2019/2026			The percentage of a Basic and Maintenance budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	Percentage	100% of Basic and Maintenance budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	N/A	20% of municipal repairs and maintenance budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 September 2019	50% of municipal repairs and maintenance budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 31 December 2019	70% of municipal repairs and maintenance budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 31 March 2020	100% of municipal repairs and maintenance budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan by 30 June 2020	Section 71 reports	Finance	N/A	N/A	N/A
2019/2028			Reduction of unauthorised expenditure throughout 2019/2020 financial year	Percentage	Ensuring reduction of 0% in unauthorised expenditure by 30 June 2020	N/A	Unauthorised and irregular expenditure decreased to 0% by 30 September 2019	Unauthorised and irregular expenditure decreased to 0% by 31 December 2019	Unauthorised and irregular expenditure decreased to 0% by 31 March 2020	Unauthorised and irregular expenditure decreased to 0% by 30 June 2020	Annual Financial Statements	Finance	N/A	N/A	N/A
2019/2029			Reduction of fuelles and wastelil expenditure throughout 2019/2020 financial year	Percentage	Ensuring reduction of 0% Fuelles and Wastelil Expenditure by 30 June 2020	N/A	Fuelles and wastelil expenditure decreased to 0% by 30 September 2019	Fuelles and wastelil expenditure decreased to 0% by 31 December 2019	Fuelles and wastelil expenditure decreased to 0% by 31 March 2020	Fuelles and wastelil expenditure decreased to 0% by 30 June 2020	Monthly Reports, Copies of Invoices and Receipts of the item for report	Finance	N/A	N/A	N/A
2019/2030			Ratic: Total operating revenue received minus operating grants divided by total operating revenue (i.e. (Revenue plus interest) by 30 June 2020	Debt Coverage Ratio	1:3 (Achievement of 1:3 debt coverage ratio throughout 2019/2020 financial year)	N/A	1:3 (Achievement of 1:3 debt coverage ratio by 30 September 2019)	1:3 (Achievement of 1:3 debt coverage ratio by 31 December 2019)	1:3 (Achievement of 1:3 debt coverage ratio by 31 March 2020)	1:3 (Achievement of 1:3 debt coverage ratio by 30 June 2020)	Annual Financial Statements	Finance	N/A	N/A	N/A
2019/2070			Ratic: Available cash plus investments divided by monthly fixed operating expenditure by 30 June 2020	Cash Coverage Ratio	1:2 (Achievement of 1:2 cash coverage ratio throughout 2019/2020 financial year)	N/A	1:2 (Achievement of 1:2 cash coverage ratio by 30 September 2019)	1:2 (Achievement of 1:2 cash coverage ratio by 31 December 2019)	1:2 (Achievement of 1:2 cash coverage ratio by 31 March 2020)	1:2 (Achievement of 1:2 cash coverage ratio by 30 June 2020)	Annual Financial Statements	Finance	N/A	N/A	N/A
2019/2071			Ratic: Outstanding debtors service divided by annual revenue actually received for services by 30 June 2020	Outstandin g Debtors Service Ratio	1:1 (Achievement of 1:1 outstanding debtors service ratio throughout 2019/2020 financial year)	N/A	1:1 (Achievement of 1:1 outstanding debtors service ratio by 30 September 2019)	1:1 (Achievement of 1:1 outstanding debtors service ratio by 31 December 2019)	1:1 (Achievement of 1:1 outstanding debtors service ratio by 31 March 2020)	1:1 (Achievement of 1:1 outstanding debtors service ratio by 30 June 2020)	Annual Financial Statements	Finance	N/A	N/A	N/A
2019/2072			Ensuring the compilation and submission of a sustainable assets register to the CFO by 30 June 2020	Date	1 creditable movable assets register to be compiled and submitted to the CFO by 30 June 2020	N/A	A letter confirming all movements and the credibility of the register. Movements are: disposals, acquisitions, RPP, disposals or write off and impairments by 30 September 2019	A letter confirming all movements and the credibility of the register. Movements are: disposals or write off and impairments by 30 September 2019	Monthly reconciliations and sign off by the CFO by 31 March 2020	1 creditable movable assets register to be compiled and submitted to the CFO by 30 June 2020	Movable Assets Register	Finance	N/A	N/A	N/A
2019/2073			Ensuring the compilation and submission of a creditable electricity, roads and storm water register to the CFO by 30 June 2020	Date	1 creditable electricity, roads and storm water register compiled and submitted to the CFO by 30 June 2020	N/A	A letter confirming all movements and the credibility of the register. Movements are: disposals or write off and impairments by 30 September 2019	A letter confirming all movements and the credibility of the register. Movements are: disposals or write off and impairments by 30 September 2019	Monthly reconciliations and sign off by the CFO by 31 March 2020	Summarised verification outcomes and review of assets register (above report), 1 creditable electricity, roads and storm water register, compiled and submitted to the CFO by 30 June 2020	Technical and Financial Services	Finance	N/A	N/A	N/A

Financial Viability and Risk

2018/2019/20	To ensure that a register for Municipal properties is maintained	Compilation and submission of a credible street furniture register to the CFO by 30 June 2020	Ensuring completion and submission of credible street furniture register to the CFO by 30 June 2020	Date	1 credible municipal property register to be completed and submitted to the CFO by 30 June 2020	N/A	A letter confirming all movements and the credibility of the register. Movements and additional acquisitions, WIP, disposals or write offs and impairments by 30 September 2019	A letter confirming all movements and the credibility of a detailed verification plan and methodology document by 31 December 2019	Monthly reconciliations and sign off by the CFO by 31 March 2020	Summated verification outcomes and review of assets register (close out report), 1 credible municipal property register to be completed and submitted to the CFO by 30 June 2020	Municipal property register	Environment Planning and Human Settlements	N/A	N/A	N/A
2018/2019/21	To ensure that a register for street furniture is maintained	Completion and submission of a credible street furniture register to the CFO by 30 June 2020	Ensuring completion and submission of credible street furniture register to the CFO by 30 June 2020	Date	1 credible street furniture register to be completed and submitted to the CFO by 30 June 2020	N/A	A letter confirming all movements and the credibility of the register. Movements and additional acquisitions, WIP, disposals or write offs and impairments by 30 September 2019	A letter confirming all movements and the credibility of a detailed verification plan and methodology document by 31 December 2019	Monthly reconciliations and sign off by the CFO by 31 March 2020	Summated verification outcomes and review of assets register (close out report), 1 credible street furniture register to be completed and submitted to the CFO by 30 June 2020	Street furniture register	Community and Social Services	N/A	N/A	N/A
2018/2019/22	To ensure the effective and efficient SCM process and procurement	Percentage of procurements less than R200 000 to be processed monthly and reported quarterly during the 2018/2020 financial year	Ensuring that the procurements that are received and processed monthly and reported quarterly during the 2018/2020 financial year	Percentage	100% of procurements less than R200 000 to be processed monthly and reported quarterly during the 2018/2020 financial year	N/A	100% of Procurements less than R200 000 processed by 31 December 2019	100% of Procurements less than R200 000 processed by 31 December 2019	100% of Procurements less than R200 000 processed by 31 March 2020	100% of Procurements less than R200 000 processed by 30 June 2020	Monthly Reports to the Municipal Manager and Portfolio Committee (Finance Department) and affidavits of compliance	Finance	N/A	N/A	N/A
2018/2019/23	To ensure the effective and efficient SCM process and procurement	40 BEC meetings convened by 30 June 2020	Bid Evaluation Committee meetings that are convened during 2018/2020 financial year	Number	40 BEC meetings convened by 30 June 2020	N/A	10 BEC meetings convened by 30 September 2019	10 BEC meetings convened by 31 December 2019	10 BEC meetings convened by 31 March 2020	40 BEC meetings convened by 30 June 2020	BEC Minutes and attendance registers	Finance	N/A	N/A	N/A
2018/2019/24	To ensure the effective and efficient SCM process and procurement	40 BAC meetings convened by 30 June 2020	Bid Adjudication Committee meetings that are convened during 2018/2020 financial year	Number	40 BAC meetings convened by 30 June 2020	N/A	10 BAC meetings convened by 30 September 2019	10 BAC meetings convened by 31 December 2019	10 BAC meetings convened by 31 March 2020	10 BAC meetings convened by 30 June 2020	BAC Minutes and attendance registers	Finance	N/A	N/A	N/A



Annexure 14

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ALFRED DUMA LOCAL MUNICIPALITY

OFFICE OF THE MUNICIPAL MANAGER

Incorporating Mayoral Office, Internal Audit, Risk, PMS, IDP, Policy Research, Communications, IGR

Please ask for: Mr M Hloba/ns/kl

My Ref: 6/1/1/1

Your Ref:

✉ 29 Ladysmith 3370
☎ (036) 637 2231
Fax. (036) 631 1400
Email: mm@alfredduma.gov.za
Website: www.alfredduma.gov.za

26 March 2019

QUALITY CERTIFICATE

I, S S Ngiba, Municipal Manager of the **Alfred Duma Local Municipality**, KZN 238 hereby certify that the: Draft 2019/2020 Budget and Supporting Documentation has been prepared in accordance with the Municipal Finance Management Act and the Regulations made under the Act, and that the Draft Budget and Supporting Documents are consistent with the Integrated Development Plan of the Municipality.

SIBUSISIWE SIXOLILE NGIBA

Municipal Manager of Alfred Duma Local Municipality (KZ238)

Signature:

26 March 2019

**SCHEDULE OF PROCUREMENT PLANS IN RESPECT OF ADVERTISED COMPETITIVE BIDS
(GOODS, INFRASTRUCTURE PROJECTS OR SERVICES IN EXCESS OF R200 000 INCLUDING ALL APPLICABLE TAXES)
FOR THE 2019/2020 FINANCIAL YEAR**

NAME OF MUNICIPALITY OR MUNICIPAL ENTITY	ALFRED DUMA LOCAL MUNICIPALITY
NAME OF ACCOUNTING OFFICER / DELEGATED OFFICIAL	MS SS NGIBA
SIGNATURE OF ACCOUNTING OFFICER / DELEGATED OFFICIAL	
TELEPHONE NUMBER AND EMAIL ADDRESS	036 637 2231 MM@ALFREDDUMA.GOV.ZA

BID NUMBER	PROJECT NAME & BRIEF DESCRIPTION	ESTIMATED VALUE (INCLUDING ALL APPLICABLE TAXES)	STATUS		
			ENVISAGED DATE OF ADVERTISEMENT	ENVISAGED CLOSING DATE OF BID	ENVISAGED DATE OF AWARD
	Construction of Tarred Roads in Ward 9	R 8 683 000.00	30/04/2019	31/05/2019	28/06/2019
	Construction of Tarred Roads in Ward 1 and 2	R 16 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Construction of Maliba Gravel Road in Ward 7	R 3 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Construction of Oqungweni Gravel Road in Ward 30	R 3 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Construction of Kwangubevu Road	R 6 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Construction of Uitvaal Community Hall	R 5 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Construction of Ekuvukeni Tar Road	R 8 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Construction of Mini Facility in Ward 24 Phase 1	R2 000 000.00	30/04/2019	31/05/2019	28/06/2019

	Gravel Road in Ward 16 and 18	R 4 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Installation of Highmast in Ward 11	R 2 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Installation of Streetlights in ward 13	R 2 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Installation of High Mast Lights in ward 17	R 2 000 000.00	30/04/2019	31/05/2019	28/06/2019
	Wards 6,7,11,20,25,27 and 29 250 Connections	R 3 548 388.00	30/04/2019	31/05/2019	28/06/2019
	Wards 16,18 and 19 – 225 Connections	R 3 193 548.00	30/04/2019	31/05/2019	28/06/2019
	Wards 14 and 23 – 300 Connections	R 4 258 065.00	30/04/2019	31/05/2019	28/06/2019



ALFRED DUMA LOCAL MUNICIPALITY

OFFICE OF THE MUNICIPAL MANAGER

Incorporating Mayoral Office, Internal Audit, Risk, PMS, IDP, Policy Research, Communications, IGR

Please ask for: Ms S S Ngiba/bbz/kl

My Ref: 3/2/7

Your Ref:

✉ 29 Ladysmith 3370
 ☎ (036) 637 2231
 Fax. (036) 631 1400
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 Website: www.alfredduma.gov.za

2 April 2019

EXTRACT FROM MINUTES OF AN ORDINARY COUNCIL MEETING OF THE ALFRED DUMA LOCAL MUNICIPALITY HELD ON THURSDAY, 28 MARCH 2019 IN THE TOWN HALL, CORNER OF QUEEN AND MURCHISON STREETS, LADYSMITH AT 13:00

Council at its meeting held 28 March 2019 resolved as follows:

"LC19/03/2019

2019/2020 DRAFT MEDIUM-TERM BUDGET FOR KZN238 (ALFRED DUMA LOCAL MUNICIPALITY)

1. That the Draft Operating Budget and Capital Budget, together with the budget related policies for the 2019/2020 financial year be adopted and taken through the consultation processes, taking cognisance of the affordability, sustainability, and the macro allowance of National Treasury, noting that the draft 2019/2020 medium term budget has been analysed as follows:

1.1 BUDGETED REVENUE – R 979.5 MILLION

- 1.1.1) The total rates income amounts to R 185.8 million which has been based on an increase in the rates tariff of 6%.
- 1.1.2) Property rates – Penalties and Collection charges: An amount of R23.5 million, has been budgeted for.
- 1.1.3) The Electricity tariff has been determined subject to an overall increase of 9.41% for domestic and commercial consumers. For Bulk Consumers an increase of 9.41% has been proposed for implementation. The NERSA guideline has yet to be released. The tariffs will be re-structured once the guideline has been released. An amount of R380.8 million has been budgeted, and is subject to change on finalisation of tariffs.
- 1.1.4) A tariff increase of 6% on Refuse has been applied in the 2019/2020 financial year, and amounts to R23.7 million.
- 1.1.5) Rental of Facilities and Equipment - An amount of R2.5 million has been allocated. This income being derived from hiring of halls, sport facilities etc.
- 1.1.6) Interest earned on Investments – An amount of R13.4 million has been allocated.
- 1.1.7) Interest earned on Outstanding Debtors – An amount of R6.3 million has been allocated. This income is being derived from raising of interest on the service accounts. The interest rates on arrear accounts would be charged at 10.25% p.a. in accordance with the National Credit Act, in respect of arrear accounts arising after 1 November 2016. Arrear accounts arising before 31 October 2016 would be charged at an interest rate of 9% p.a.

Join the Alfred Duma Local Municipality in its fight against HIV/AIDS
 Fight HIV/AIDS: Abstain, Be Faithful, Condomise - for more information visit the local clinic

- 1.1.8) Fines – An amount of R11.3 million has been allocated.
- 1.1.9) Licensing and Permits - An amount of R2.7 million has been budgeted.
- 1.1.10) Agency Services – An amount of R2.7 million has been budgeted.
- 1.1.11) Grants Operating

The following operating grants were included in the Budget:

Museum Subsidy	R 152 000
Community Library Services Grant	R1 467 000
Provincialisation of Libraries	R4 779 000
Financial Management Grant	R2 500 000
Expanded Public Works Programme	R3 930 000
Operational Cost – Accredited Municipality	R3 060 000
Infrastructure Skills Development Grant	R3 200 000
Building Plans Information Management System	R 500 000
Total	<u>R19 588 000</u>

- 1.1.12) The Local Government Equitable Share, received from Central Government, in the amount of R232.7 million has been budgeted for, as per DORA's allocation for the 2019/2020 financial year.

- 1.1.13) Capital Grants - This includes the following:

MIG	R61.7 m
Infrastructure – Sport Facilities	R8.2 m
Accreditation Subsidy	R500 k
Museum Subsidy	R50 k
Provincialisation of Libraries	R500 k
Infrastructure Skills Development Grant	R300 k
Total	<u>R71.3 m</u>

- 1.1.14) Other revenue in the amount of R3.3 million. It includes the income generated from the minor tariffs e.g. connection/disconnection fees, building plans, fire brigade services, rates clearance, photocopies, burial fees etc.

1.2 **BUDGETED EXPENDITURE: R933.9 MILLION (EXCLUDING UNFUNDED DEPRECIATION)**

- 1.2.1) Gross Salaries and Allowances – R384.2 million

- 1.2.1.1 The R300.5 million reflects the cost to Council packages of all existing staff and budgeted staff vacancies.

- 1.2.1.2 An estimated increase of 7% has been budgeted. The Bargaining Council agreement has not yet been finalised for municipal employees.

- 1.2.1.3 An amount of R5.2 million has been budgeted for Overtime and R4.1 million has been budgeted for Standby.
- 1.2.1.4 An amount of R17.5 million has been allocated for Job Creation and an amount of R3 million has been allocated for Employee Public Works Program.
- 1.2.1.5 An amount of R800 thousand has been budgeted for Finance Interns which is funded by the Financial Management Grant.
- 1.2.1.6 An amount of R3 million has been budgeted for Library employees which is funded by the Provincialisation of Libraries.
- 1.2.1.7 An amount of R1.5 million has been budgeted for Cyber Cadets which is funded by the Community Library Services Grant.
- 1.2.2.8 An amount of R1.4 has been budgeted for overtime, standby and salaries in Human Settlement section which is funded by the Accreditation subsidy.
- 1.2.1.9 An amount of R50 thousand has been budgeted for overtime in the Museum Section which is funded by the museum subsidy.
- 1.2.1.10 An amount of R2.5 million has been budgeted for Infrastructure and Town Planning interns which is funded by the Infrastructure Skills Development Grant.
- 1.2.1.11 Youth Mass Skilling has been budgeted for at R1.2 million.
- 1.2.1.12 R856 thousand has been allocated for Employees' Bonus Provision.
- 1.2.1.13 R803 thousand has been allocated for the performance bonuses of section 57 employees.
- 1.2.1.14 R5.4 million has been allocated for pensioners' medical aid. The pensioner's medical aid being a post retirement benefit for ex-employees of the municipality.
- 1.2.1.15 R5.6 million has been allocated for leave reserve.
- 1.2.1.16 R2.7 million has been allocated for long service awards.
- 1.2.1.17 Councillor Remuneration – R 28 million has been budgeted and includes a 7% increase. However, the actual final percentage increase is normally finalized in December for Councillors' remuneration. Traditional Leaders Allowance has been budgeted for at R50 thousand.
- 1.2.1.18 Total Gross Salaries and Allowances, for employees and Councillors totalling R384.2 million amounts to 36% of the total projected expenditure including unfunded depreciation. That it further be noted that R 39.8 million would be used for direct labour costs charged out to repairs and maintenance and capital projects that may require in-house labour.
- 1.2.2) Other Operating Expenditure – R489.2 million which includes the following:
 - 1.2.2.1) Electricity Bulk Purchases - The projected increase for Electricity purchases was based on 9.41%, which is subject to NERSA's approval. This amounts to an estimated amount of R265.9 million, which is subject to change once the NERSA guideline is released.
 - 1.2.2.2) Consultants and Professional Services: Other - R3.2 million has been provided which included Asset Management, Valuation Roll, infrastructure and services, electricity consultants etc.

- 1.2.2.3) Legal expenses for the municipality reflect a budget of R2.7 million, these funds are being used by the legal section in the implementation of the legal processes for the collection of arrear debt, as well as legal expenses that may arise from defending lawsuits should any occur.
- 1.2.2.4) Buildings and Facilities – An amount of R1.4 million has been allocated to be used for repairs and maintenance to municipal buildings.
- 1.2.2.5) Equipment – An amount of R2.3 million has been allocated to be used for repairs and maintenance to municipal equipment.
- 1.2.2.6) Maintenance of Unspecified Assets – An amount of R3.9 million has been allocated to be used for repairs and maintenance of all other municipal assets i.e. swings, sport infrastructure, IT hardware, Klip River maintenance etc.
- 1.2.2.7) Maintenance of Vehicles – An amount of R18.1 million has been budgeted for repairs and maintenance of vehicles within all departments.
- 1.2.2.8) Sports and Recreation – An amount of R650 thousand has been allocated and includes SALGA Games and Sports Events.
- 1.2.2.9) Youth Programmes – These are Mayoral projects and includes programmes such as Youth Development, Youth Advisory Centre, Youth Month and Learner Support Grant-in-Aid. R1.1 million has been allocated.
- 1.2.2.10) Other Programmes – An amount of R4 million has been allocated for this item which is being used to fund the costs of catering and entertainment and other costs of hosting functions arranged by the Office of the Mayor.
- 1.2.2.11) Other Contracted Services - Comprises of the amount of R1.2 million which includes in this category of expenditure other ad-hoc items e.g. festive lights, pest control etc.
- 1.2.2.12) Training - These funds are being used by employees to attend training workshops, as well as to enrol at tertiary institutions to further their education for which an amount of R1.4 million has been allocated, inclusive of funds for capacity building of Councillors.
- 1.2.2.13) Other Programmes – An amount of R2.1 million has been allocated for all programmes with the municipality i.e. Battlefields festival, Senior citizens, gender upliftment, enterprise development, reed celebration, disability focus, HIV/AIDS Campaign etc.
- 1.2.2.14) Security Services – An amount of R19.2 million has been allocated for sites, bodyguards, and Cash in-transit services.
- 1.2.2.15) Inventory consumed – An amount of R1 million has been allocated and includes plastic bags, toilet paper, chemicals etc.
- 1.2.2.16) Materials and Supplies – An amount of R28.3 million has been allocated to purchase materials used for road maintenance, stormwater, metering, electric refurbishment, cleaning materials, emergency relief etc.
- 1.2.2.17) R1.4 million has been allocated for operating lease of furniture and office equipment (rental of photocopy machines).
- 1.2.2.18) An amount of R850 thousand have been allocated for advertising in local and national newspapers, publicity, and marketing.

- 1.2.2.19) Bank Charges - An amount of R1.5 million has been allocated.
- 1.2.2.20) Bulk Discount - an amount of R1.3 million has been budgeted for bulk consumers who pay in advance.
- 1.2.2.21) Commission – Prepaid Electricity - an amount of R4.2 million has been allocated.
- 1.2.2.22) Postage Services - This amount includes the bulk postage of municipal accounts, as well as the individual postage costs incurred by the departments for which an amount of R 2.6 million has been allocated.
- 1.2.2.23) Telephone and Fax – An amount of R4.3 million has been allocated to fund the payment of Telkom and cellular phone accounts.
- 1.2.2.24) R145 thousand has been allocated for landfill site.
- 1.2.2.25) R107 thousand has been allocated for entertainment.
- 1.2.2.26) Audit Fees - An amount of R 5 million has been allocated for the payment of audit fees charged by the Auditor-General.
- 1.2.2.27) External computer services have been budgeted for at R7.9 million which will be used for the financial system, ICT support, website maintenance, internet, software database etc.
- 1.2.2.28) Insurance – An amount of R4.8 million has been budgeted for insurance.
- 1.2.2.29) Licenses agency fees - an amount of R706 thousand has been allocated to pay for prepaid licence fee, radio licenses, valuation licence etc.
- 1.2.2.30) Motor Vehicle Licence and Registrations – an amount of R1.2 million has been allocated.
- 1.2.2.31) R1.3 million has been budgeted for the provision of free basic alternate energy to be utilised by the Electricity Section within the Department Technical and Infrastructural Services.
- 1.2.2.32) Free Basic Electricity of R 9 million has been set aside to fund indigent consumers who receive the 50kWh free electricity.
- 1.2.2.33) Streetlights – An amount of R 7 million has been allocated for the payment of the electricity accounts for streetlights in the municipal area.
- 1.2.2.34) Municipal services – An amount of R10.8 million has been allocated for the payment of the municipality's electricity account paid to Eskom, water & sewerage bills paid to the uThukela District Municipality and refuse accounts.
- 1.2.2.35) Printing and Stationery – An amount of R2.9 million has been allocated which is used for the photocopy machine rentals and printing costs.
- 1.2.2.36) Membership and Subscription - An amount of R3.4 million has been allocated for payment to SALGA and tourism subscription and membership fees.
- 1.2.2.37) Conference and Delegations – An amount of R2 million has been allocated. These funds are being used by the municipality for the attendance of conferences, workshops and seminars which includes accommodation and travelling costs.
- 1.2.2.38) Protective Clothing - An amount of R3.2 million has been allocated which is for the purchase of protective clothing for job creation workers, as well as for permanent staff members.

- 1.2.2.39) R12.2 million has been budgeted for transport costs (fuel and oil, licensing, and vehicle trackers) to run the vehicles within all the departments.
- 1.2.2.40) SARS Skills Development Levy - An amount of R 2.7 million has been budgeted to be paid to SARS for the development of skills, noting that these funds could be claimed from the SETA when the municipality incurs training costs.
- 1.2.2.41) An amount of R2.6 million has been allocated for the payment of Workmen's Compensation, which is a legislative requirement.
- 1.2.2.42) Labour Charge Outs – An amount of R39.8 million has been allocated for charge outs to repairs and maintenance in respect of employees that execute the repairs and maintenance duties. This being a costing element whereby a portion of the salaries budget is being allocated to repairs and maintenance projects.

1.2.3) Departmental Charges – R62.4 million:

These are internal charges which are being recovered via the charge-out rate. The net effect of these internal charges against the charge-out rate is R nil.

Departmental Charges	R62.4 million
Total Charge outs	(R62.4 million)

1.2.4) Capital Charges – R35.5 million which includes the following:

Depreciation	R32.6 million
Existing External Loans	R430 thousand
Impairment of Assets	R2.4 million

- 1.2.5) That it be noted that Depreciation charges were a GRAP 17 requirement and the total depreciation charges estimated at R180.7 million.
- 1.2.6) That it be noted that to fund the total estimated depreciation of R180.7 million would result in tariffs being very high and unaffordable to the consumers. National Treasury recognises this in MFMA Circular 42 – funding a municipal budget. A phased increase or re-alignment in tariffs may need to be considered to compensate the deficit to a surplus by a progressive move through gradual tariff increases or the re-alignment of municipal revenue.
- 1.2.7) That it be noted that the community needed to make sufficient contribution towards the economic benefit that was being generated from the assets over the medium-term budget period.
- 1.2.8) That it be noted that currently, the municipality has opted to fund R 32.6 million of the total depreciation expense.
- 1.2.9) Loan Repayments
That it be noted that the municipality currently has two loans to service for the Tsakane Substations and Development Bank of South African (DBSA) for which the budgeted figure of R430 thousand has been provided.
- 1.2.10) Impairment of Assets
That it be noted that this relates to asset impairment in terms of GRAP 17 for which the estimated budgeted figure of R 2.4 million has been provided.

1.2.11) Contributions - R64.7 million which includes the following:

Bad Debt Reserve	R62.4 million
Rates Reduction: Pensioners/ Disabled/ Medically Boarded Persons and Child Headed Households	R2.3 million

- 1.2.11.1 That it be noted that a twenty five percent (25%) rates reduction for pensioners would be granted to any pensioner aged sixty (60) years and older on application if the pensioner's gross household income was R20 000 and less; this reduction to be applied for in the 2019/2020 financial year.
- 1.2.11.2 That it be noted that a medically boarded person with a gross household income of R20 000 and less would receive a discount of twenty five percent (25%) on their rates assessment; this reduction to be applied for in the 2019/2020 financial year.
- 1.2.11.3 That it be noted that Disabled persons with a gross household income of R20 000 and less would receive a discount of twenty five percent (25%) on their rates assessment; this reduction to be applied for in the 2019/2020 financial year.
- 1.2.11.4 That it be noted that Child headed households would receive a discount of one hundred percent (100%) on their rates assessment; this reduction to be applied for in the 2019/2020 financial year.
- 1.2.11.5 That it be noted that a discount of 5% would be granted to all owners of property except for State and Public Service Infrastructure (PSI), who would pay their rates in advance in full by 31 August 2019, further noting that a R100 000 impermissible rebate on the market value would be applicable to all residential properties.

1.3 CAPITAL BUDGET: 2019/2020

The Capital Budget of R85.8 million will be funded as follows:

- R71.3 million from grant funding
- R14.5 million from revenue funding.

The capital programme has been separated into eight clusters.

Identified Priority Projects:

- | | |
|--|---------|
| • Streetlight in Ward 13 (MIG) | R2.0 m |
| • High Mast Lights in Ward 11 (MIG) | R2.0 m |
| • Tarred Road in Ward 1 & 2 (MIG) | R16.0 m |
| • Mini Facility Ward 24 – Phase 1 (MIG) | R2.0 m |
| • Gravel Road in Ward 16 and 18 (MIG) | R4.0 m |
| • High Mast Lights in Ward 17 (MIG) | R2.0 m |
| • Acaciavale Fitness Centre (Sport Infrastructure Grant) | R8.2 m |
| • Tarred Road in Ward 9 (MIG) | R8.7 m |
| • Maliba Access Road – MIG | R3.0 m |
| • KwaNgubevu Road (MIG) | R6.0 m |
| • Oqungweni Road (MIG) | R3.0 m |
| • Uitval Community Hall (MIG) | R5.0 m |
| • Ekuvukeni Tar Road (MIG) | R8.0 m |
| • Electrification of Households – Wards 6,7,11,20,25,27 & 29
250 Connections (INEP) | R3.5 m |
| • Electrification of Households – Wards 16,18 & 19
225 Connections (INEP) | R3.2 m |

• Electrification of Households – Wards 14 & 23 300 Connections (INEP)	R4.3 m
• Furniture and Equipment (Grant/Council)	R2.4 m
• Refurbishments	R3.5 m
• Replacement of Municipal Fleet	R10.0 m
	<u>R 96.8 m</u>
Less INEP Grant	<u>(R11.0m)</u>
TOTAL	R85.8 m

- 1.3.1 That it be noted that Council's contribution for the 2019/2020 Capital budget is R14.5 million and due to the cash flow constraints of the Municipality, spending on both the Operating and the Capital budget must be monitored through regular monitoring of the cash flow.
- 1.3.2 That it further be noted that the Municipality has seen a downward trend in revenue collection due to the poor economic climate both locally and nationally.
- 1.3.3 That it be noted that the Municipality in its Integrated Development Plan would focus on Revenue generating projects that would bring additional income to the Municipality.
- 1.3.4 That all projects being Grant funded only and R14.5 million for the replacement of municipal fleet, furniture and equipment and electrical refurbishment to be Council funded subject to the availability of funds, be approved.

PART 2

2. BUDGET RELATED RESOLUTIONS

- 2.1. That the draft annual budget of the municipality for the financial year 2019/2020; and indicative for the two projected outer years 2020/2021 and 2021/2022 be approved as set-out in the following schedules:
- 2.1.1. Table A1 Budget Summary.
- 2.1.2. Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification).
- 2.1.3. Table A3 Budgeted Financial Performance (revenue and expenditure by Municipal vote).
- 2.1.4. Table A4 Budgeted Financial Performance (revenue and expenditure).
- 2.1.5. Table A5 Budgeted Capital expenditure vote, standard classification, and funding.
- 2.1.6. Table A6 Budgeted Financial Position.
- 2.1.7. Table A7 Budgeted Cash flows.
- 2.1.8. Table A 8 Cash backed reserves/ accumulated surplus reconciliation.
- 2.1.9. Table A9 Asset Management.
- 2.1.10. Table A 10 Basic service delivery measurement.
- 2.2. That property rates reflected below and any other municipal tax reflected in **Annexure 1 'Tariff Policy'** and **Annexure 3 'Municipal Property Rates Policy'** be imposed for the budget year 2019/2020.

- 2.3 That the following property rates tariffs apply in the jurisdiction of the Alfred Duma Local Municipality KZN238:

Category	Tariff	Exemption	Phasing In	Impermissible per property R	Rebate
Residential	0.01280	No	No	100 000	No
Commercial and Business	0.02243	No	No		No
Industrial	0.01443	No	No		No
Farms: Agriculture	0.00311	No	No		No
Public Service Infrastructure	0.00000	Yes	No		No
Vacant Land	0.04616	No	No		No
Rural Communal	0.00000	Yes	No		No
Municipal Properties	0.00000	Yes	No		No
State (Public Service Purposes)	0.02823	No	No		No
Public Benefit Organisations	0.0000	Yes	No		No
Religious (Place of Public worship)	0.0000	Yes	No		No
Public Open Space	0.0000	Yes	No		No
Municipal Vacant Land	0.0000	Yes	No		No

- 2.4 That the refuse tariffs be increased by 6% with effect from 1 July 2019 in terms of chapter 4 of the Municipal Finance Management Act No 56 of 2003; the detailed tariffs being indicated in the **Tariff policy** as per **Annexure 1** attached to the Special EXCO agenda.
- 2.5 That should it be necessary, a Municipal adjustments budget be prepared in accordance with Section 28 of the Municipal Finance Management Act No 56 of 2003.
- 2.6 That funds from the electricity surplus be applied to fund other municipal expenditure.
- 2.7 That interest of 10.25% per annum on arrear debt be charged in respect of arrear accounts arising after 1 November 2016 and interest of 9% per annum be charged on arrear debt arising before 31 October 2016.

- 2.8 That tariffs and charges reflected in **Annexure 1 'Tariff Policy'** be approved for the 2019/20 budget year.
- 2.9 That the measurable performance objectives for revenue from each source and for each vote reflected in **Supporting Table SA7** be approved for the 2019/2020 budget year.
- 2.10 That the budget-related policies comprising as attached in Annexure 1 to 13 be adopted.

The budget-related policies adopted being the following:

- 2.10.1 Credit Control, Debt Collection and Customer Care Policy
- 2.10.2 Indigent Policy
- 2.10.3 Cash Management and Investment Policy
- 2.10.4 Supply Chain Management Policy
- 2.10.5 Tariffs Policy
- 2.10.6 Property Rates Policy
- 2.10.7 Virements Policy
- 2.10.8 Assets Management Policy
- 2.10.9 Inventory Policy
- 2.10.10 Petty Cash Management Policy
- 2.10.11 Subsistence and Travelling Policy
- 2.10.12 Funding, Reserves and Provision Policy
- 2.10.13 Budget Policy
- 2.11 That Pensioners 60 years of age or older and with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; this rebate to be applied for during the 2019/2020 financial year.
- 2.12 That Medically Boarded persons with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; this rebate to be applied for during the 2019/2020 financial year.
- 2.13 That Disabled persons with a gross household income of R20 000 and less receive a discount of 25% on their rates assessment; this rebate to be applied for during the 2019/2020 financial year.
- 2.14 That Child headed households receive a discount of one hundred percent (100%) on their rates assessment; this reduction to be applied for in the 2019/2020 financial year.
- 2.15 That Consumers excluding state and PSI be granted a 5% discount should the total rates bill be paid in full in advance by the last working day in August for the 2019/2020 budget year.
- 2.16 That indigents apply for indigency. Automatic indigency to no longer be applicable.
- 2.17 That the electricity tariffs be increased by 9.4% for domestic and commercial consumers and 9.4% for Bulk consumers. The NERSA guideline has yet to be released. Tariffs would be re-structured once the guideline was released and would be subject to final approval by NERSA. The tariffs have been detailed in the **Tariff policy** as per **Annexure 1**.
- 2.18 That the tariff policy be updated accordingly in respect of final electricity tariffs approved by NERSA.
- 2.19 That the draft budget be submitted to National and Provincial Treasury in accordance with legislation.

- 2.20 That the capital programme funded from Council revenue be funded from accumulated surpluses, based on the availability of cash funds.
- 2.21 That the Implementation of the capital programme be subject to the availability of funds.

PART 3 - Draft Service Delivery and Budget Implementation Plans (SDBIP)

That the 2019/2020 Draft Service Delivery and Budget Implementation Plans (SDBIP) be adopted.

SIGNED AT LADYSMITH ON 2 APRIL 2019



**S S NGIBA
MUNICIPAL MANAGER**